

Comba

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

股份代號 Stock Code : 2342

Persistent • Focus
繼往開來 • 凝心聚力

Innovation • Brilliant
創新發展 • 再創輝煌



2021
Interim Report
中期報告

5G

5G



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling (*Chairman*)

Zhang Yue Jun (*Vice Chairman*)

Xu Huijun (*President*)

Chang Fei Fu

Bu Binlong

Huo Xinru

Non-Executive Director

Wu Tielong

Independent Non-Executive Directors

Lau Siu Ki, Kevin

Lin Jin Tong

Ng Yi Kum

Wong Lok Lam

COMPANY SECRETARY

Chan Siu Man

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin (*Chairman*)

Lin Jin Tong

Ng Yi Kum

Wong Lok Lam

NOMINATION COMMITTEE

Lin Jin Tong (*Chairman*)

Lau Siu Ki, Kevin

Ng Yi Kum

Wong Lok Lam

AUTHORIZED REPRESENTATIVES

Fok Tung Ling

Chang Fei Fu

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Cayman Islands

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Tai Po

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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1 March 2021)

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Under the prolonged impact of the outbreak of the COVID-19, 5G construction worldwide (including Mainland China) has been delayed to a certain extent during the first half of 2021. However, in the second half of the year, as the Chinese government continued to push forward the implementation of the new infrastructure strategy, major domestic telecom operators have successively issued tender announcements in relation to 5G network infrastructure since May this year, which facilitated the 5G construction to forge ahead continuously.

Revenue

Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") reported the interim revenue of HK\$2,418,128,000 (2020: HK\$2,238,485,000) for the six months ended 30 June 2021 (the "Current Period"), representing an increase of 8.0% compared to the six months ended 30 June 2020 (the "Prior Period"). The increase in revenue was mainly attributable to the expansion of the overseas business, particularly the satisfactory results recorded from the network products.

By Customers

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 23.3% over the Prior Period to HK\$391,022,000 (2020: HK\$509,935,000), accounting for 16.2% of the Group's revenue in the Current Period, compared to 22.8% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries increased by 4.0% over the Prior Period to HK\$194,024,000 (2020: HK\$186,635,000), accounting for 8.0% of the Group's revenue in the Current Period, compared to 8.3% in the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries increased by 12.5% over the Prior Period to HK\$261,793,000 (2020: HK\$232,693,000), accounting for 10.8% of the Group's revenue in the Current Period, compared to 10.4% in the Prior Period.

Revenue generated from China Tower Corporation Limited increased by 24.2% over the Prior Period to HK\$215,157,000 (2020: HK\$173,281,000), accounting for 8.9% of the Group's revenue in the Current Period, compared to 7.8% in the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

During the Current Period, revenue from other customers in Mainland China increased by 38.3% over the Prior Period to HK\$341,435,000 (2020: HK\$246,945,000) and represented 14.1% (2020: 11.0%) of the Group's revenue.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 12.2% over the Prior Period to HK\$911,715,000 (2020: HK\$812,237,000), accounting for 37.7% of the Group's revenue in the Current Period, compared to 36.3% in the Prior Period. The increase was mainly due to the expansion of the Group's overseas business and the increase in sales of network products during the Current Period.

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and non-wholly-owned subsidiary of the Group, increased by 34.2% over the Prior Period to HK\$102,982,000 (2020: HK\$76,759,000), accounting for 4.3% of the Group's revenue in the Current Period (2020: 3.4%). The increase in revenue was mainly due to the promising improvement in the related business since the completion and full commercialization of the nationwide 4.5G network in Laos by ETL.

By Business

During the Current Period, revenue generated from the antennas and subsystems business decreased by 13.4% over the Prior Period to HK\$722,931,000 (2020: HK\$834,350,000), accounting for 29.9% (2020: 37.3%) of the Group's revenue in the Current Period. The decrease in revenue was mainly due to the delayed construction of certain 5G network capital projects by major domestic telecom operators under the influence of the COVID-19 pandemic, as a result of which the tender of centralized procurement of the related 5G antenna products only commenced in or after May 2021 successively and hence such sales have not been reflected in the financial statements for the Current Period.

During the Current Period, revenue generated from the network system business increased by 27.3% over the Prior Period to HK\$671,699,000 (2020: HK\$527,451,000), accounting for 27.8% (2020: 23.6%) of the Group's revenue in the Current Period. The increase in revenue was mainly attributable to the continuous improvement in the overall operational efficiency of the Group's network system business segment after its restructuring and optimization, the good progress on the international new indoor coverage business as well as the expansion of vertical industrial application of Open RAN products and base station products which recorded satisfactory results.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

During the Current Period, revenue from services increased by 14.5% over the Prior Period to HK\$782,882,000 (2020: HK\$683,765,000), accounting for 32.4% (2020: 30.5%) of the Group's revenue. The increase in revenue was mainly attributable to the fact that the Group optimized the servicing team and undertook higher quality construction projects.

During the Current Period, revenue from other business (including wireless transmission) increased by 18.5% over the Prior Period to HK\$137,634,000 (2020: HK\$116,160,000), accounting for 5.6% (2020: 5.2%) of the Group's revenue. Among which, revenue from the wireless transmission business increased significantly by 25.0% to HK\$136,384,000 (2020: HK\$109,130,000), mainly due to the product upgrade and market expansion of the Group's microwave business.

Gross Profit

During the Current Period, the Group's gross profit decreased by 6.3% over the Prior Period to HK\$680,986,000 (2020: HK\$726,610,000). The Group's gross profit margin was 28.2% in the Current Period (2020: 32.5%), a decrease of 4.3 percentage points compared to the Prior Period. The decrease in the Group's gross profit margin during the Current Period was mainly attributable to the increase in costs as a result of the continuous rise in global bulk commodity prices this year and the prolonged impact of the COVID-19 pandemic on the global economy, which led to higher costs of operation, including transportation fees and others and in turn a corresponding decrease in gross profit margin of some of its products. The Group will continue to launch new 5G products to maintain a stable gross profit margin and improve competitiveness.

Research and Development ("R&D") Expenses

During the Current Period, R&D expenses increased by 47.4% over the Prior Period to HK\$256,763,000 (2020: HK\$174,204,000), accounting for 10.6% (2020: 7.8%) of the Group's revenue. As 5G technology gradually enters the stage of in-depth development, the Group increased the relevant investment in its R&D activities to get well-prepared for the launch of the 5G network and enhance the competitiveness of new 5G products, aiming to capture business opportunities amidst the digitalization of the mobile telecommunications industry.

Through its strong commitment to R&D, the Group has realized significant achievements in creating its own solutions with proprietary intellectual property and has applied for more than 5,100 patents as of the end of the Current Period (31 December 2020: approximately 4,800 patents).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Selling and Distribution (“S&D”) Expenses

During the Current Period, S&D expenses increased by 21.4% over the Prior Period to HK\$235,734,000 (2020: HK\$194,143,000), accounting for 9.7% (2020: 8.7%) of the Group’s revenue. In view of the Group’s commitment to strengthening its business expansion, the relevant S&D expenses increased. The management expects such expenses to be improved to an optimal level in the future.

Administrative Expenses

During the Current Period, administrative expenses decreased by 7.6% over the Prior Period to HK\$216,705,000 (2020: HK\$234,605,000), accounting for 9.0% (2020: 10.5%) of the Group’s revenue. The decrease in administrative expenses was primarily due to the Group’s strategy of optimizing the organizational management structure on an ongoing basis, which boosted the operational efficiency of the Company.

Finance Costs

During the Current Period, finance costs decreased by 48.1% over the Prior Period to HK\$21,425,000 (2020: HK\$41,296,000), accounting for 0.9% (2020: 1.8%) of the Group’s revenue. The decrease in finance costs was mainly due to the fact that the Group optimized the loan portfolio and the decrease in the interests arising from the lower market interest rates during the Current Period.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings as well as improving cash flows. To cope with the business growth, the management will closely monitor the latest trends in the financing market, changes in interest rates and financial policies on the market, and arrange the most appropriate financing for the Group, in order to improve the structure of its debts and thereby reduce its financing costs.

In addition, the management has leveraged the difference between interest rate and foreign exchange rate among different countries to minimize finance costs. As at 30 June 2021, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 12.4% compared with the gearing ratio of 12.2% as at 31 December 2020.

Other Expenses

During the Current Period, other expenses decreased by 8.9% over the Prior Period to HK\$112,307,000 (2020: HK\$123,293,000), representing 4.6% (2020: 5.5%) of the Group's revenue. The decrease in other expenses was mainly due to the decrease in the provision of trade and other receivables during the Current Period.

Operating Loss

During the Current Period, the operating loss of the Group was HK\$72,539,000 (2020: operating profit of HK\$81,258,000). The decrease in operating profit was mainly due to the decrease in the Group's gross profit and the increase in R&D expenses during the Current Period.

Tax

During the Current Period, the Group's overall taxation charge of HK\$26,943,000 (2020: HK\$39,139,000) comprised an income tax expense of HK\$21,076,000 (2020: HK\$24,656,000) and a deferred tax charge of HK\$5,867,000 (2020: deferred tax charge of HK\$14,483,000). The decrease in overall tax charge was mainly due to the net loss recorded by the Group during the Current Period.

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

Net Loss

During the Current Period, with the decrease in gross profit and increase in R&D expenses, loss attributable to owners of the parent of the Group was HK\$89,360,000 (2020: profit attributable to owners of the parent of HK\$53,137,000).

Dividend

In view of the Group's operating results in the first half of 2021 and taking into consideration its long-term future development and the interests of the shareholders of the Company (the "Shareholders"), particularly those of minority Shareholders, the board (the "Board") of directors (the "Director(s)") of the Company does not recommend the payment of an interim dividend for 2021 (2020: HK0.7 cent).

Prospects

In 2021, the commercialization of stage 1 5G standards has commenced. Through the evolution of network and technological advancement, 5G application has become popular rapidly. As Mainland China continued to push forward the implementation of new infrastructure strategy, the centralised procurement biddings for related 5G antenna products of major domestic telecom operators have successively started, resuming the development of certain 5G network capital projects; certain countries and regions also took the path of in-depth 5G development gradually. As such, the Group is optimistic about the business development prospects and will continue to study advanced technology and innovative products in the 5G- and post-5G era so as to consistently provide products and services with high-cost efficiency for 5G network upgrade of global operators.

Products and Solutions

Base Station Antenna and Subsystems

Leveraging its extensive experience in mobile telecommunication network construction and its supreme technology in the integration and miniaturisation of integrated multi-frequency and multisystem antenna developed over the years, the Group has a long-established leading position in the base station antenna market. It has been widely recognized by numerous domestic and overseas telecommunication network operators, equipment manufacturers and integrators, with antenna business presence in more than 100 countries and regions globally.

The deployment of the 5G-era network faces challenges such as limited antenna base station location spaces, and high cost of network construction and operation. This has set higher standards for multisystem integrated antenna. The Group has been actively engaged in the R&D of new technologies and products. Following the development direction towards multi-frequency and multi-mode, integration and small and lightweight, the Group developed various base station antenna solutions in the 5G era that are applicable to different scenarios, such as the active 5G Massive MIMO antennas, 4G/5G convergent antenna product series, FDD ultra-multi-port multi-system shared antennas, TDD/FDD hybrid convergent antennas and "A + P" integrated convergent antenna. These products cater to customer needs in various scenarios and facilitate the building of the 5G network.

In spite of the global COVID-19 pandemic, the Group maintained a steady supply of all antennas for all sub6GHz frequencies during the Current Period. Thanks to the product technological innovation in, among other aspects, innovative multiplexing technology in wave transmission radiator and matrix space, highly integrated ultra-thin phasing-feed network technology, transmission based on electric device multiplexing and ultra-thin RET control system, innovative one-off welding technology based on overall heating on multi-dimensional welding sections and manufacturing process and technological innovation in, among other aspects, welding technology of highly integrated and complicated antennas, the Group has become highly competitive in the industry in term of product performance indicators, volume, weight and product quality of highly integrated and complicated antennas. The major customer base of international market is gradually expanding with many global large-scale operator customers added to the portfolio and the order size increased as compared to the Prior Period. The innovation-led 4G/5G(8TR) convergent antenna has officially become the main solution for 5G network coverage. The 700M and 2.1G 5G base station antenna products in the domestic market have successively won the bids for certain antenna product projects of major telecom operators in Mainland China; the antenna and subsystem R&D and cooperation business of core equipment manufacturers maintained stable market share.

In addition, the Group targeted the indoor coverage capacity of "5G broad indoor coverage" and introduced "innovative solutions of antenna for broad indoor coverage" and "innovative antenna and subsystem solution for 5G rail transit coverage" targeted to high-speed rail and tunnel coverage, which have commenced the large-scale application in various provinces in Mainland China. As 5G indoor coverage develops and operators increase investment in 5G coverage on roads, these new customized antennas will continue to contribute to future improvement of business performance.

Network Product System Solutions

Comba Network Systems Company Limited ("Comba Network", together with its subsidiaries, collectively referred to as the "Comba Network Group"), an indirect subsidiary of the Company, is principally engaged in the manufacture and sale of wireless telecommunications network system equipment and provision of related comprehensive solutions. It currently focuses on R&D, manufacturing and sale of network system products, including macro cells, small cells, related extended & in-depth coverage solutions and Open RAN products as well as provision of network solutions for the 5G vertical industry.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Comba Network Group is the pioneer of small cells that possesses the fully independent R&D ability in softwares and hardwares with general agreed-upon specifications for 4G/5G access network. Comba Network Group has diversified products with the depth and coverage capacity covering the entirely scenario-based high-power cells, micro cells, pico cells, femto cells and the co-constructing and sharing indoor coverage and Open RAN products in mobile telecommunication. In respect of 5G vertical industries, it provides fundamental networks and platform solutions catering to the specific needs and applications of the target industry, promotes the application and implementation of 5G in vertical industries such as industrial, mining and medical sectors and empowers the smart upgrade of the industries.

Comba Network Group's 5G small cell products have commenced commercial trial and commercial use of the 5G products of the three major operators in more than ten provinces. In addition, certain projects for the commercial use of 5G small cells in various provinces have been contracted. The value and advantage of our low-cost and rapid 5G network construction are highly recognized by customers. In the second half of the year, Comba Network Group will actively participate in the centralized procurement of China Mobile's 5G extended small cells.

Leveraging years of extensive experience in the design, development and deployment of radio frequency related products of mobile telecommunication, Comba Network Group has catered to the immediate demands of the global operator market for the open network technology of Open RAN and launched the standardized and platform-based high-power remote radio unit (RRU) product series, which has the advantage of supporting the advanced technologies such as multi-carrier and multi-mode, high efficiency and high capacity. This product series adopts ORAN Alliance's fronthaul gateway and thereby fulfills inter-connection and compatibility with the advanced manufacturers of base-band units in the industry. Furthermore, Comba Network Group has entered into strategic cooperation with the leading integrators in the industry. Recognized by the leading operator groups in the industry, the Open RAN RRU product series has participated in various deployment for commercial use and pilot schemes globally and has been widely applied in various scenarios of coverage application. In the first half of the year, Comba Network Group has launched the industry's first Open RAN dual-frequency and multi-mode Open RAN remote radio unit (RRU), thereby continuing to lead the technological innovation of the industry.

Given the accelerating development of 5G indoor coverage and industrial applications, Comba Network Group will pursue continuous innovation and offer competitive products and comprehensive solutions to customers and partners, so as to achieve win-win outcomes through cooperation and promote the 5G-empowered digital transformation of the industry.

MARKET EXPANSION

Operator Business in China

Although the COVID-19 outbreak in 2020 delayed 5G construction in Mainland China to a certain extent, the country took an irreversible step forward for 5G development and stably maintained its leadership in the global 5G market among the others. During the Current Period, the three major operators launched the 5G commercial network in an orderly manner. Mainland China has the largest number of 5G macro cells and 5G users in the world. Its 5G development has entered a new stage of more in-depth deployment.

Following the large-scale deployment of the 5G mobile network by the three major telecom operators intensively, the construction of the 5G network faces new challenges. The width of network coverage has to be considered during network construction and the development of low- to mid- frequency 5G spectrum is underway. The Group successfully won the bids for certain antenna product projects of major telecom operators in Mainland China, ranking top 2 in both sectors, which has shown the customers' full recognition of the Group and showcased the Group's technological capability, innovation ability, manufacturing ability and comprehensive strength in the antenna sector and has laid a solid foundation for achieving the targeted performance in antenna and subsystem for this year and next year.

Furthermore, the deployment of 5G indoor coverage was widely discussed, which further optimized the coverage of the 5G network. In the first quarter of 2021, the Group successfully deployed its ComFlex Pro solution for 3 Hong Kong, enabling visitors and employees in various major landmark buildings in Hong Kong, China to enjoy 5G services seamlessly. The Group will continue to give full play to its R&D strengths developed over the years. In addition, it will continue to provide comprehensive business support to customers.

International Business

The Group's international marketing platform expands the overseas market actively by exploring customer demands, developing the target markets, developing new products and maintaining competitiveness of products. The Group will continue the steady cooperation with international mobile operators and globally leading telecom core equipment manufacturers in network construction. Apart from offering advanced 5G application solution to customers globally, it will tap into the demand for 4G massive network construction in various countries or regions in the world with imbalanced network development, so as to strengthen its position in the global market continuously. During the Current Period, the Group achieved satisfactory results in the international business by capitalizing on its comprehensive strengths in product and technology. At the same time, its overall operation improved against the downward trend. In order to maintain its position as the leading supplier, the Group will continue to strengthen the close relationship with telecom core equipment manufactures in 5G development.

During the Current Period, the Group made substantial progress in the field of Open RAN. It announced the launch of first remote radio unit (RRU) in the Open RAN industry supporting multiple wireless access technologies and multiple frequencies, facilitating the wide application of emerging open standards worldwide and boosting more practical cases based on various scenarios. With the aim of promoting the growth of Open RAN industrial alliance, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore sales channels and conduct joint product R&D.

New Business

The three major applications for 5G, namely enhancement of mobile broadband, large-scale internet of things, and ultra-reliable and low latency communication, will bring revolutionary changes to the mode of production and people's daily lives. During the Current Period, the Group continued to explore areas such as "5G+vertical industry applications" and promoted the effective integration of 5G technology with various aspects of intelligent manufacturing, including intelligent manufacturing workshop, flexible production lines and intelligent machinery. For instance, the Group made technological breakthroughs in the "5G+Mobile Robot" product series, established the AGV mainstream car model series and commenced the related pilot projects. In the future, the Group will actively develop related innovative business and strive to make contributions to its business results.

CONCLUSION

In the first half of 2021, amidst the global COVID-19 pandemic, the 5G network construction experienced delays to a certain extent. Nevertheless, following the massive vaccination and gradual recovery of economic activities, the Group is optimistic about the business development prospects for the second half of the year. Successively winning the bids for certain antenna product projects of major telecom operators in Mainland China has demonstrated the customers' full recognition of the Group and showcased the Group's technological capability, innovation ability, manufacturing ability and comprehensive strengths in the antenna sector and has laid a solid foundation for achieving the targeted performance in antenna for this year and next year. Co-construction and sharing for network products overseas, the new indoor coverage business and the continuous expansion of Open RAN market will certainly foster the sustained and rapid business growth in the future.

The Group will continue to proactively engage in the development of new 5G technologies and the research on advanced technology and innovative products in the post-5G era so as to consistently provide products and services with high-cost efficiency for the 5G network upgrade of the global operators. It will strive to create value for customers and Shareholders as a whole.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 30 June 2021, the Group had net current assets of HK\$2,083,972,000. Current assets comprised inventories of HK\$1,406,027,000, trade receivables of HK\$4,149,449,000, notes receivable of HK\$79,022,000, prepayments, other receivables and other assets of HK\$631,064,000, financial assets designated at fair value through profit or loss of HK\$1,301,000, restricted bank deposits of HK\$141,062,000 and cash and cash equivalents of HK\$1,774,005,000. Current liabilities comprised trade and bills payables of HK\$3,950,374,000, other payables and accruals of HK\$599,031,000, interest-bearing bank borrowings of HK\$1,390,439,000, tax payable of HK\$83,089,000 and provision for product warranties of HK\$75,025,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The average receivable turnover for the Current Period was 312 days compared to 320 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 with longer credit term. The balances also include retention money, which is for assurance that the product and service 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, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Period was 419 days compared to 470 days for the Prior Period. The average inventory turnover for the Current Period was 141 days compared to 158 days for the Prior Period.

As at 30 June 2021, 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 and HK\$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group had entered into a 3-year term loan facility agreement with certain financial institutions with the principal amount of HK\$980,000,000 on 30 January 2019 which was further increased to HK\$1,458,000,000 by way of accession. The related outstanding loan balance was fully settled in July 2021 by making use of new 3-year term loan facility agreements and the Group's own fund. Details of bank borrowings are set out in note 14 to these interim condensed consolidated financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK\$ and US\$. In view of 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 30 June 2021, the Group has outstanding non-deliverable foreign currency option contracts in respect of Indonesian Rupiah, Indian Rupee and Brazilian Real with notional amount of nil, US\$6,000,000 and US\$5,000,000 respectively (31 December 2020: US\$3,000,000, US\$5,000,000 and US\$5,000,000 respectively).

The Group will also closely monitor the fluctuation of exchange rate in other currencies and will consider hedging such foreign currency should the need arise.

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 12.4% as at 30 June 2021 (31 December 2020: 12.2%).

In spite of the global outbreak of the COVID-19 pandemic, 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 and associated companies during the Current Period.

USE OF PROCEEDS

On 28 April 2020, the top-up placing of a total of 282,000,000 ordinary shares of the Company 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 were professional, institutional and/or individual investors), together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert and not connected with the Company or its connected persons (as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) (the "Placing") was completed.

On 8 May 2020, 150,000,000 and 80,000,000 new ordinary shares of the Company 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 Listing Rules), respectively at a subscription price of HK\$3.05 per share (the "Subscription").

The Placing and the Subscription were 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 Stock Exchange on 24 April 2020, being the date of execution of the agreement regarding the Placing and the Subscription, was HK\$3.17 per share.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The net proceeds from the Placing and the Subscription as disclosed in the announcements of the Company dated 23 April 2020, 24 April 2020, 28 April 2020 and 8 May 2020 are approximately HK\$686,235,000 (after deducting the related costs and expenses) and the net subscription price of each share of the Company was approximately HK\$2.98 (after deducting the related costs and expenses). As at 30 June 2021, the Company has utilized the net proceeds, details are set out as follow:

Net proceeds raised HK\$'000	Intended use of the net proceeds	Amounts utilized as at 31 December 2020	Amounts utilized during the Current Period	Amounts unutilized as at 30 June 2021	Expected timeline for utilizing the residual amount of net proceeds*
		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	144,357	72,365	298,668	by 30 June 2023
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	44,496	38,148	88,201	by 30 June 2023
686,235		188,853	110,513	386,869	

* 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\$176,043,000 (31 December 2020: HK\$160,068,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had contingent liabilities of HK\$312,075,000 (31 December 2020: HK\$381,819,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 6,000 staffs, out of which 1,300 staffs from ETL (31 December 2020: 6,000 staffs, out of which 1,300 staffs from ETL). The total staff costs, excluding capitalized development cost, for the Current Period were HK\$478,330,000 (30 June 2020: HK\$416,274,000). 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 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 option scheme, share award scheme and share incentive scheme of the Company. 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.

An employees incentive scheme is adopted by a subsidiary of the Company for the purpose of recognizing the contributions of its certain employees and persons.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Approximately)
		Directly beneficially owned	Through controlled corporation	Total	
Mr. Fok Tung Ling ("Mr. Fok")	(a)	24,864,339	678,115,129	702,979,468	25.48
Mr. Zhang Yue Jun	(b)	–	228,225,410	228,225,410	8.27
Mr. Xu Huijun ("Mr. Xu")		10,000,000	–	10,000,000	0.36
Mr. Bu Binlong ("Mr. Bu")		2,350,084	–	2,350,084	0.08
Mr. Wu Tielong ("Mr. Wu")		1,842,049	–	1,842,049	0.06

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Xu	19,000,000
Mr. Chang Fei Fu	9,600,000
Mr. Bu	12,100,000
Ms. Huo Xinru ("Ms. Huo")	8,050,000
Mr. Wu	8,450,000
Mr. Lau Siu Ki, Kevin	510,000
Dr. Lin Jin Tong	455,000
Ms. Ng Yi Kum	200,000

Notes:

- (a) These shares are beneficially owned by Prime Choice Investments Limited. By virtue of 100% shareholding of Prime Choice Investments Limited, Mr. Fok is deemed or taken to be interested in the 678,115,129 shares owned by Prime Choice Investments Limited under the SFO.
- (b) These shares are beneficially owned by Wise Logic Investments Limited. By virtue of 100% shareholding in Wise Logic Investments Limited, Mr. Zhang Yue Jun is deemed or taken to be interested in the 228,225,410 shares owned by Wise Logic Investments Limited under the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo beneficially holding approximately 20.96%, 10.06%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)) (“XHT No.2 Partnership”), and Mr. Wu beneficially holding approximately 17.68% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)) (“XHT No.3 Partnership”), both are subsidiaries of the Company, as at 30 June 2021, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the Current Period, the Directors or chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any of such rights, required to be disclosed under the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “share option scheme, share award scheme and share incentive scheme” below and in the share option scheme, share award scheme and share incentive scheme in note 16 to these interim condensed consolidated financial statements, at no time during the Current Period were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, the chief executive of the Company or their respective spouses or children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 16 to these interim condensed consolidated financial statements.

On 29 May 2020, the Company adopted a share incentive scheme (the "Scheme") and on 1 June 2020 and 10 June 2020, the shares of Comba Network, an indirect subsidiary of the Company, were awarded to directors, employees and consultants of the Group to recognize their contributions. Comba Business Consulting (Guangzhou) Limited[#] (京信企業諮詢(廣州)有限公司) ("Comba Consulting", an indirect wholly-owned subsidiary of the Company), acts as a general partner, together with the selected participants in the Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships (as defined below) and four G Partnerships (as defined below) in the People's Republic of China.

Comba Consulting has set up XHT No.2 Partnership, Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)) (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under Non-G Partnerships consist of four Directors, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network Group) and three consultants of the Group (excluding Comba Network Group). Upon the completion of the establishment, Non-G Partnerships purchased certain existing shares of Comba Network from Comba Telecom Systems Limited, a wholly owned subsidiary of the Company, at the total consideration of RMB57,700,000.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Comba Consulting has also set up Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), XHT No.3 Partnership, Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)) (the “G Partnerships”) under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. Upon the completion of the establishment, G Partnerships subscribed for and Comba Network issued certain new shares at the total consideration of RMB54,400,000.

Pursuant to the partnership interest transfer agreements entered into between (i) Comba Consulting as general partner (the “G General Partner”) of G Partnerships (the “Existing G Partnerships”) and (ii) certain existing limited partners in G Partnerships which consist of a Director together with 100 employees and five directors in the Comba Network Group (the “Existing G Limited Partners”) and certain new limited partners in G Partnerships which consist of 10 employees in the Comba Network Group (the “Additional G Limited Partners”) on 12 April 2021, the G General Partner has transferred its limited partnership interests in the Existing G Partnerships in the aggregate amount of RMB14,000,000 to certain Existing G Limited Partners and Additional G Limited Partners, as limited partners of the Existing G Partnerships, including RMB13,160,000 to certain Existing G Limited Partners and RMB840,000 to the Additional G Limited Partners at the total consideration of RMB14,000,000.

Comba Consulting has further set up Xin Han Tong No.9 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通九號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.10 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.11 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十一號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.12 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)) (collectively the “New G Partnerships”) in the People’s Republic of China under the New G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under New G Partnerships consist of 174 employees of the Comba Network Group.

Pursuant to the capital increase agreement entered into between New G Partnerships and Comba Network on 12 April 2021, the New G Partnerships subscribed for and Comba Network issued new shares at the total consideration of RMB20,000,000, including RMB19,880,000 contributed by the limited partners in New G Partnerships as limited partners, and RMB120,000 contributed by Comba Consulting as general partner, respectively.

Each of the Non-G Partnerships, Existing G Partnerships and New G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. As at 30 June 2021, the Non-G Partnerships, Existing G Partnerships and New G Partnerships hold approximately 4.80%, 4.53% and 1.66% of the equity interest of Comba Network, respectively.

For details of the Scheme, please refer to the announcements of the Company dated 10 June 2020, 24 June 2020, 12 April 2021 and 20 May 2021.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following substantial Shareholders (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investments Limited		Beneficial owner	678,115,129	24.58
Madam Chen Jing Na	(a)	Interest of spouse	702,979,468	25.48
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.27
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.27

Notes:

- (a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 702,979,468 shares in which Mr. Fok is interested or deemed to be interested for the purpose of the SFO.
- (b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 shares in which Mr. Zhang Yue Jun is interested or deemed to be interested for the purpose of the SFO.

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

- (i) 678,115,129 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and
- (ii) 228,225,410 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 30 June 2021, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board reviewed daily governance of the Company from time to time in accordance with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code contained in Appendix 14 of the 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 as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions during the Current Period.

DIRECTORS' BIOGRAPHICAL DETAILS

Upon enquiry by the Company, as at the date of this Interim Report, save as disclosed in the announcement of the Company dated 14 May 2021, there is no change in the information of the Directors which required to be disclosed pursuant to Rule 13.51B of the Listing Rules since the publication of the Company's 2020 Annual Report.

AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company, together with the management, 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 these 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 these interim condensed consolidated financial statements for the Current Period and has not given any disagreement.

For identification purpose

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	5	2,418,128	2,238,485
Cost of sales		(1,737,142)	(1,511,875)
Gross profit		680,986	726,610
Other income and gains	5	67,984	80,893
Research and development expenses		(256,763)	(174,204)
Selling and distribution expenses		(235,734)	(194,143)
Administrative expenses		(216,705)	(234,605)
Other expenses		(112,307)	(123,293)
Finance costs	7	(21,425)	(41,296)
Share of profit of a joint venture		4,907	–
(LOSS)/PROFIT BEFORE TAX	6	(89,057)	39,962
Income tax expense	8	(26,943)	(39,139)
(LOSS)/PROFIT FOR THE PERIOD		(116,000)	823
Attributable to:			
Owners of the parent		(89,360)	53,137
Non-controlling interests		(26,640)	(52,314)
		(116,000)	823
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		HK(3.26) cents	HK2.09 cents
Diluted		HK(3.26) cents	HK2.04 cents

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(116,000)	823
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	80,085	(127,523)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	80,085	(127,523)
Other comprehensive income 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	10,866	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	10,866	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	90,951	(127,523)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(25,049)	(126,700)
Attributable to:		
Owners of the parent	536	(70,356)
Non-controlling interests	(25,585)	(56,344)
	(25,049)	(126,700)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,325,877	1,357,251
Right-of-use assets		239,663	283,745
Goodwill		253,077	253,077
Deferred tax assets		205,236	213,276
Intangible assets		857,205	881,565
Equity investments designated at fair value through other comprehensive income		53,564	38,563
Equity investments designated at fair value through profit or loss		30,314	30,851
Restricted bank deposits		34,981	26,366
Investment in a joint venture		16,524	11,856
Total non-current assets		3,016,441	3,096,550
CURRENT ASSETS			
Inventories	11	1,406,027	1,275,812
Trade receivables	12	4,149,449	4,130,899
Notes receivable		79,022	134,132
Prepayments, other receivables and other assets		631,064	835,805
Financial assets designated at fair value through profit or loss		1,301	1,475
Restricted bank deposits		141,062	133,702
Cash and cash equivalents		1,774,005	1,716,786
Total current assets		8,181,930	8,228,611
CURRENT LIABILITIES			
Trade and bills payables	13	3,950,374	4,030,825
Other payables and accruals		599,031	844,867
Interest-bearing bank borrowings	14	1,390,439	972,173
Tax payable		83,089	78,648
Provision for product warranties		75,025	74,313
Total current liabilities		6,097,958	6,000,826

INTERIM CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONT'D)

30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NET CURRENT ASSETS		2,083,972	2,227,785
TOTAL ASSETS LESS CURRENT LIABILITIES		5,100,413	5,324,335
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	–	410,300
Deferred tax liabilities		147,318	148,501
Lease liabilities		74,777	103,592
Redeemable preferred shares in a subsidiary		280,743	111,908
Total non-current liabilities		502,838	774,301
Net assets		4,597,575	4,550,034
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	275,793	275,060
Treasury shares		(22,818)	(22,818)
Reserves	17	3,887,254	3,854,671
		4,140,229	4,106,913
Non-controlling interests		457,346	443,121
Total equity		4,597,575	4,550,034

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent										Total equity HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000		Total HK\$'000	Non- controlling interests HK\$'000
At 1 January 2020	246,599	(22,816)	715,772	494,311	45,480	43,024	211,071	(23,863)	(7,240)	2,207,753	3,461,219	435,808	3,897,017
Profit for the period	-	-	-	-	-	-	-	-	-	53,137	53,137	(52,314)	823
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(123,493)	(123,493)	-	-	(123,493)	(4,030)	(127,523)
Total comprehensive loss for the period	-	-	-	-	-	-	(123,493)	(123,493)	-	53,137	(70,356)	(56,344)	(126,700)
Share option scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	16(a)	-	-	15,083	-	-	-	-	-	-	15,083	-	15,083
- exercise of share options	-	-	42,295	(11,186)	-	-	-	-	-	-	33,656	-	33,656
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(424)	-	-	-	-	-	424	-	-	-
Final 2019 dividend	-	-	-	-	-	-	-	-	-	(32,895)	(32,895)	-	(32,895)
Capital contribution from non- controlling interests	-	-	-	-	-	-	-	-	-	-	-	94,370	94,370
Issue of shares	15(f)	23,000	662,235	-	-	-	-	-	-	-	686,235	-	686,235
Transfer to/from retained profits	-	-	-	-	(1,805)	-	-	-	-	1,805	-	-	-
At 30 June 2020 (audited)	274,126	(22,816)	1,421,302	529,904	45,480	41,219	211,071	(147,356)	(7,240)	2,224,224	4,092,912	473,824	4,566,746

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

For the six months ended 30 June 2021

Notes	Attributable to owners of the parent											Total equity HK\$'000	
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000	Total HK\$'000		Non-controlling interests HK\$'000
At 1 January 2021	275,060	(22,818)	1,437,024*	66,757*	45,480*	35,624*	211,071*	85,325*	10,025*	1,983,365*	4,106,913	443,121	4,550,034
Loss for the period	-	-	-	-	-	-	-	-	-	(89,360)	(89,360)	(26,640)	(116,000)
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	10,866	-	10,866	-	10,866
Exchange differences related to foreign operations	-	-	-	-	-	-	-	79,030	-	-	79,030	1,055	80,085
Total comprehensive loss for the period	-	-	-	-	-	-	-	79,030	10,866	(89,360)	536	(25,585)	(25,049)
Share option scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	-	-	11,481	-	-	-	-	-	-	-	11,481	-	11,481
- exercise of share options	733	-	(12,012)	(3,596)	-	-	-	-	-	-	(9,149)	-	(9,149)
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(1,084)	-	-	-	-	-	1,084	-	-	-
Share incentive scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	-	-	-	12,150	-	-	-	-	-	-	12,150	-	12,150
Capital contribution from non-controlling interests	-	-	-	-	-	(1,805)	-	-	-	-	-	39,810	39,810
Transfer to/from retained profits	-	-	-	-	-	-	-	-	-	1,805	-	-	-
At 30 June 2021 (unaudited)	275,793	(22,818)	1,449,036*	85,708*	45,480*	33,819*	211,071*	164,355*	20,891*	1,876,894*	4,140,229	457,346	4,597,575

* These reserve accounts comprise the consolidated reserves of HK\$3,887,254,000 (31 December 2020: HK\$3,854,671,000) in the interim consolidated statement of financial position.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(89,057)	39,962
Adjustments for:			
Interest income	5	(12,739)	(9,072)
Finance costs	7	21,425	41,296
Share of profit of a joint venture		(4,907)	–
Depreciation of property, plant and equipment	6	102,277	102,962
Depreciation of right-of-use assets	6	25,086	19,957
Amortization of intangible assets		71,997	42,319
Loss/(gain) on disposal of items of property, plant and equipment	6	5,985	(3,215)
Equity-settled share option expense	6	11,481	15,083
Awarded share expense	6	12,150	–
Loss on fair value change of financial assets designated at fair value through profit or loss	6	1,923	661
Loss on fair value change of redeemable preferred shares in a subsidiary	6	11,116	–
Loss on equity investments designated at fair value through profit or loss	6	926	–
		157,663	249,953
Increase in inventories		(114,303)	(257,610)
Decrease in trade receivables		32,970	71,679
Decrease in notes receivable		56,783	104,793
Decrease in prepayments, other receivables and other assets		217,248	31,978
Decrease in trade and bills payables		(130,723)	(185,900)
Decrease in other payables and accruals		(248,385)	(409,919)
Decrease in provision for product warranties		(214)	(1,701)
Cash used in operations		(28,961)	(396,727)
Mainland China profits tax paid		(14,909)	(15,603)
Overseas profits taxes paid		(2,705)	(5,051)
Interest paid on lease liabilities		(1,699)	(1,557)
Net cash flows used in operating activities		(48,274)	(418,938)

INTERIM CONSOLIDATED STATEMENT OF
CASH FLOWS (CONT'D)

For the six months ended 30 June 2021

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		12,739	9,072
Purchases of items of property, plant and equipment		(54,948)	(45,919)
Addition of intangible assets		(36,642)	(66,425)
Proceeds from disposal of items of property, plant and equipment		9,987	9,116
Proceeds from disposal of intangible assets		–	7
Purchase of financial assets designated at fair value through profit or loss		(1,749)	(2,221)
(Increase)/decrease in restricted bank deposits		(13,978)	22,912
Net cash flows used in investing activities		(84,591)	(73,458)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		469,559	90,463
Repayment of bank borrowings		(462,848)	(379,559)
Dividend paid		–	(32,895)
Exercise of share options	15(iii)	9,149	33,636
Interest paid		(19,726)	(39,739)
Principal portion of lease payments		(20,619)	(18,672)
Contribution from the non-controlling interests		39,810	94,370
Issue of shares, net of expense	15(ii)	–	686,235
Issued redeemable preferred shares in a subsidiary		156,296	–
Net cash flows from financing activities		171,621	433,839

INTERIM CONSOLIDATED STATEMENT OF
CASH FLOWS (CONT'D)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Notes		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,756	(58,557)
Cash and cash equivalents at beginning of period	1,716,786	1,867,186
Effect of foreign exchange rate changes, net	18,463	(36,590)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,774,005	1,772,039
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	1,708,084	1,764,743
Non-pledged time deposits with original maturity of less than three months when acquired	65,921	7,296
Cash and cash equivalents as stated in the consolidated statement of financial position	1,774,005	1,772,039

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2021

1. CORPORATE INFORMATION

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

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

During the 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 2021 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 2020.

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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognize hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Cont'd)

The nature and impact of the revised HKFRSs are described below: (Cont'd)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021 and applied the practical expedient during the period ended 30 June 2021 to all rent concessions granted by the lessors that affected only payments originally due on or before 30 June 2022 as a direct consequence of the Covid-19 pandemic. A reduction in the lease payments arising from the rent concessions of HK\$551,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the period ended 30 June 2021.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

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 2021	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,315,146	102,982	2,418,128
Loss before tax	(5,420)	(83,637)	(89,057)
Segment assets	10,300,253	1,815,825	12,116,078
Elimination			(917,707)
Total assets			11,198,371
Segment liabilities	6,407,311	1,111,192	7,518,503
Elimination			(917,707)
Total liabilities			6,600,796

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

4. OPERATING SEGMENT INFORMATION (Cont'd)

Period ended 30 June 2020	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,161,726	76,759	2,238,485
Profit/(loss) before tax	135,987	(96,025)	39,962
Segment assets	9,821,676	1,917,637	11,739,313
Elimination			(880,876)
Total assets			10,858,437
Segment liabilities	6,135,711	1,036,856	7,172,567
Elimination			(880,876)
Total liabilities			6,291,691

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

4. OPERATING SEGMENT INFORMATION (Cont'd)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Mainland China	1,573,719	1,570,127
Other countries/areas in Asia		
Pacific	423,484	328,064
Americas	282,501	190,988
European Union	111,814	129,931
Middle East	11,176	13,724
Other countries	15,434	5,651
	2,418,128	2,238,485

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

(b) Non-current assets

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Mainland China	1,278,062	1,286,932
Lao People's Democratic Republic	1,689,323	1,768,033
Other countries/regions	49,056	41,585
	3,016,441	3,096,550

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

4. OPERATING SEGMENT INFORMATION (Cont'd)
INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK\$391,022,000 (six months ended 30 June 2020: HK\$509,935,000), HK\$261,793,000 (six months ended 30 June 2020: HK\$232,693,000) and HK\$194,024,000 (six months ended 30 June 2020: HK\$186,635,000) was derived from 3 major customers, which accounted for 16.2% (six months ended 30 June 2020: 22.8%), 10.8% (six months ended 30 June 2020: 10.4%) and 8.0% (six months ended 30 June 2020: 8.3%) 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	2,315,146	2,156,093
Maintenance services	–	5,633
Provision of operator telecommunication services	102,982	76,759
	2,418,128	2,238,485

5. REVENUE, OTHER INCOME AND GAINS (Cont'd)
REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Type of customers		
PRC state-owned telecommunication operator groups	846,839	929,263
Other customers	1,571,289	1,309,222
Total revenue from contracts with customers	2,418,128	2,238,485

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	2,315,146	2,156,093
Services transferred over time	102,982	82,392
Total revenue from contracts with customers	2,418,128	2,238,485

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Other income and gains		
Bank interest income	12,739	9,072
Government subsidies [#]	31,101	50,407
VAT refunds	4,963	8,293
Gain on disposal of items of property, plant and equipment	–	3,215
Gross rental income	4,210	2,967
Technical services income	10,121	2,794
Scrapped and recycled items sales income	1,407	1,897
Penalty income	1,100	92
Other miscellaneous income	2,343	2,156
	67,984	80,893

[#] 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

6. (LOSS)/PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Cost of inventories sold and services provided		1,685,160	1,487,417
Depreciation of property, plant and equipment [#]		102,277	102,962
Depreciation of right-of-use assets		25,086	19,957
Amortization of computer software, technology and operating license [#]		15,371	14,092
Research and development expenses:			
Deferred expenditure amortized ^{**}		56,626	28,227
Current period expenditure		200,137	145,977
		256,763	174,204
Employee benefit expense (including directors' remuneration):			
Salaries and wages		400,693	360,091
Staff welfare expenses		19,376	25,309
Equity-settled share option expense	16(a)	11,481	15,083
Awarded share expenses	16(c)	12,150	-
Pension scheme contributions (defined contribution scheme) [#]		34,630	15,791
		478,330	416,274
Exchange loss, net [*]		9,293	15,476
Provision for product warranties [^]		9,928	11,933
Write-down of inventories to net realizable value [^]		41,667	5,720
Impairment of trade receivables and notes receivable ^{###}		18,503	39,441
(Reversal)/impairment of financial assets included in prepayments, other receivables and other assets ^{###}		(2,900)	7,905
Loss/(gain) on disposal of items of property, plant and equipment ^{###}		5,985	(3,215)
Loss on fair value change of financial assets designated at fair value through profit or loss ^{###}		1,923	661
Loss on fair value change of redeemable preferred shares in a subsidiary ^{###}		11,116	-
Loss on equity investments designated at fair value through profit or loss ^{###}		926	-

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30 June 2021

6. (LOSS)/PROFIT BEFORE TAX (Cont'd)

- [^] 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.
- [#] At 30 June 2021, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2020: Nil).
- ^{*} Net exchange loss is included in "Administrative expenses" in the consolidated statement of profit or loss.
- ^{**} The amortization for deferred development expense is included in "Research and development expenses" in the consolidated statement of profit or loss. The amount being capitalized during the period is HK\$31,709,000 (30 June 2020: HK\$63,857,000).
- ^{##} The depreciation of property, plant and equipment and amortization of computer software and technology and operating license amounting to HK\$62,206,000 (six months ended 30 June 2020: HK\$60,441,000) and HK\$11,661,000 (six months ended 30 June 2020: HK\$11,661,000) are included in "Other expenses" in the consolidated statement of profit or loss.
- ^{###} Impairment of trade receivables and notes receivable, impairment of financial assets included in prepayments, other receivables and other assets, loss on disposal of items of property, plant and equipment, loss on fair value change of financial assets designated at fair value through profit or loss, loss on fair value change of redeemable preferred shares in a subsidiary and loss on equity investments designated at fair value through profit or loss are included in "Other expenses" in the consolidated statement of profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

7. FINANCE COSTS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings	19,630	39,739
Interest on factored trade receivables	84	–
Interest on lease liabilities	1,699	1,557
Others	12	–
Total	21,425	41,296

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2020: Nil). 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	–	–
Mainland China	9,703	6,774
Elsewhere	11,373	6,956
Current – under provision in prior periods	–	10,926
Deferred	5,867	14,483
Total tax charge for the period	26,943	39,139

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

8. INCOME TAX (Cont'd)

Under the relevant income tax law, the subsidiaries in Mainland China are subject to corporate income tax at a statutory rate of 25%, except for certain subsidiaries that entitled to the preferential tax rate of 15% based on the designation as High-New Technology Enterprises, on their respective taxable income during the period.

9. DIVIDENDS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Final declared and paid – Nil (2020: HK1.2 cents) per ordinary share	–	32,895
Interim – Nil (six months ended 30 June 2020: HK0.7 cent) per ordinary share	–	19,224

Note:

The directors recommended that not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: HK0.7 cents per ordinary share).

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,737,662,000 (six months ended 30 June 2020: 2,536,938,000) in issue less shares held for the share award scheme of the Company ("Share Award Scheme") during the period.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/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.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2021 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

**10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO
ORDINARY EQUITY HOLDERS OF THE PARENT (Cont'd)**

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

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	(89,360)	53,137

	Number of shares For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme during the period used in the basic earnings per share calculations	2,737,662,000	2,536,938,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	62,511,000
	2,737,662,000	2,599,449,000

11. INVENTORIES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Raw materials	370,384	315,394
Project materials	106,133	71,857
Work in progress	62,198	68,573
Finished goods	581,950	538,946
Inventories on site	285,362	281,042
	1,406,027	1,275,812

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, 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. Trade receivables are non-interest-bearing.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

12. TRADE RECEIVABLES (Cont'd)

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	1,454,157	1,630,971
4 to 6 months	360,646	467,199
7 to 12 months	1,102,893	625,451
More than 1 year	1,803,863	1,956,150
	4,721,559	4,679,771
Provision for impairment	(572,110)	(548,872)
	4,149,449	4,130,899

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

12. TRADE RECEIVABLES (Cont'd)

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 and 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 2021

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years 2 years		
Expected credit loss rate	1.52%	2.15%	13.74%	57.62%	
Gross carrying amount (HK\$'000)	2,974,894	592,992	343,095	810,578	4,721,559
Expected credit losses (HK\$'000)	45,125	12,738	47,155	467,092	572,110

As at 31 December 2020

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years 2 years		
Expected credit loss rate	1.55%	2.35%	14.82%	55.80%	
Gross carrying amount (HK\$'000)	2,748,975	794,891	356,643	779,262	4,679,771
Expected credit losses (HK\$'000)	42,504	18,664	52,837	434,867	548,872

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 3 months	1,729,704	2,085,758
4 to 6 months	425,919	622,696
7 to 12 months	945,746	423,889
More than 1 year	849,005	898,482
	3,950,374	4,030,825

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 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	1,390,439	972,173
In the 2nd year	–	410,300
	1,390,439	1,382,473

As at 30 June 2021, loans denominated in Hong Kong dollars and RMB amounted to HK\$1,275,020,000 (31 December 2020: HK\$1,285,100,000) and HK\$115,419,000 (31 December 2020: HK\$97,373,000), respectively.

The Company and five of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited, Comba Telecom Limited, Comba Telecom Systems Limited and Comba Telecom Technology (Guangzhou) Limited were parties to the bank loans acting as guarantors, to guarantee punctual performance of the obligations under the loan facilities.

Bank loans as at 30 June 2021 bear interest at rates ranging from 1.5% to 3.9% (31 December 2020: from 3.05% to 3.10%) per annum.

NOTES TO INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2021

15. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
At 1 January 2020		2,485,988,818	248,599
Exercise of share options	(i)	34,605,100	3,461
Issue of shares	(ii)	230,000,000	23,000
At 31 December 2020 and 1 January 2021		2,750,593,918	275,060
Exercise of share options	(iii)	7,329,750	733
At 30 June 2021		2,757,923,668	275,793

As at 30 June 2021, the total number of issued ordinary shares of the Company was 2,757,923,668 shares (31 December 2020: 2,750,593,918 shares) which included 16,637,136 shares (31 December 2020: 16,637,136 shares) held under the Share Award Scheme adopted by the Company on 25 March 2011 (the "Adoption Date") (note 16(b)).

15. SHARE CAPITAL (Cont'd)

Notes:

- (i) During the year ended 31 December 2020, the subscription rights attaching to 19,692,600 share options, 9,676,500 share options and 5,236,000 share options were exercised at the exercise prices of HK\$1.255 per share, HK\$1.170 per share and HK\$1.890 per share respectively, resulting in the issue of 34,605,100 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$45,932,000.
- (ii) During the year ended 31 December 2020, the Company completed the top-up placing of 282,000,000 shares of HK\$0.10 each at a placing price of HK\$3.05 per share and the subscription of 230,000,000 new shares of HK\$0.10 each at a subscription price of HK\$3.05 each (the "Subscription"). The net proceeds from the Subscription are approximately HK\$686,235,000 (after deducting the related costs and expenses) which would result in the additional share capital of approximately HK\$23,000,000 and share premium of approximately HK\$663,235,000.
- (iii) During the period ended 30 June 2021, the subscription rights attaching to 4,360,250 share options, 2,688,000 share options and 281,500 share options were exercised at the exercise prices of HK\$1.255 per share, HK\$1.170 per share and HK\$1.890 per share respectively, resulting in the issue of 7,329,750 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$9,149,000.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

(a) SHARE OPTION SCHEME

The Company operates a share option scheme adopted on 3 June 2013 (the "2013 Scheme") which, unless otherwise cancelled or amended in accordance with the terms therein, will remain in force for ten years from that date and will expire on 3 June 2023.

The purposes of the 2013 Scheme are to provide incentives and rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 2013 Scheme include directors (including independent non-executive directors), employees, holders of any securities, business or joint venture partners, contractors, agents or representatives of, persons or entities that provide research, development or technological support or any advisory, consultancy, professional services for the business of the Group, investors, vendors, suppliers, developers or licensors of, or customers, licencees, wholesalers, retailers, traders or distributors of goods or services of members of the Group, the Company's controlling shareholders or companies controlled by the Company's controlling shareholders.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Scheme, the Share Award Scheme (note 16(b)) and any other incentive or share option schemes of the Company shall not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares already issued and to be issued upon exercise of share options granted to each eligible person under the 2013 Scheme and any other share option schemes of the Company (including cancelled, exercised and outstanding share options) in any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Share options granted under the 2013 Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted under the 2013 Scheme and any other share option schemes of the Company (including share options exercised, cancelled and outstanding) to a substantial shareholder of the Company or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of grant of the share options) in excess of HK\$5 million, in any 12-month period up to and including the date of such grant, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the 2013 Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$10 in total by the grantee. The exercise period of the share options granted under the 2013 Scheme is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of offer of the share options.

The exercise price of the share options granted under the 2013 Scheme is determinable by the directors of the Company, but shall not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the share options; and (iii) the average closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer of the share options.

Share options granted under the 2013 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

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**16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND
SHARE INCENTIVE SCHEME (Cont'd)**

(a) **SHARE OPTION SCHEME (Cont'd)**

The following number of share options were outstanding under the 2013 Scheme during the six months ended 30 June 2021:

	For the six months ended 30 June			
	2021		2020	
	Weighted average exercise price of each share option HK\$	Number of share options	Weighted average exercise price of each share option HK\$	Number of share options
At 1 January	1.574	138,060,250	1.525	174,913,850
Exercised during the period	1.248	(7,329,750)	1.331	(25,271,850)
Expired during the period	-	-	-	-
Forfeited during the period	1.652	(950,000)	1.515	(568,500)
Granted during the period	2.030	50,000,000	-	-
At 30 June	1.714	179,780,500	1.558	149,073,500

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16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2021 are as follows:

Name or category of participant	Number of share options					At 30 June 2021	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
	At 1 January 2021	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period					
Executive directors										
Mr. Fok Tung Ling	-	-	-	-	-	-				
Mr. Zhang Yue Jun	-	-	-	-	-	-				
Mr. Xu Huijun	5,000,000	-	-	-	-	5,000,000	28 Aug 18	28 Aug 19-27 Aug 23	1.300	-
	10,000,000	-	-	-	-	10,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	-	4,000,000	-	-	-	4,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	15,000,000	4,000,000	-	-	-	19,000,000				
Mr. Chang Fei Fu	1,100,000	-	-	-	-	1,100,000	26 Aug 16	26 Aug 17-25 Aug 21	1.255	-
	1,500,000	-	-	-	-	1,500,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	-	2,000,000	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	7,600,000	2,000,000	-	-	-	9,600,000				
Mr. Bu Binlong	3,300,000	-	-	-	-	3,300,000	26 Aug 16	26 Aug 17-25 Aug 21	1.255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	-	2,000,000	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	10,100,000	2,000,000	-	-	-	12,100,000				

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30 June 2021

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2021 are as follows: (Cont'd)

Name or category of participant	At 1 January 2021	Granted during the period	Number of share options		Forfeited during the period	At 30 June 2021	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Executive directors (Cont'd)										
Ms. Huo Xinru	1,050,000	-	-	-	-	1,050,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	-	2,000,000	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	6,050,000	2,000,000	-	-	-	8,050,000				
Non-executive director										
Mr. Wu Tielong	1,650,000	-	-	-	-	1,650,000	26 Aug 16	26 Aug 17-25 Aug 21	1.255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	8,450,000	-	-	-	-	8,450,000				

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30 June 2021

**16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND
SHARE INCENTIVE SCHEME (Cont'd)**

(a) **SHARE OPTION SCHEME (Cont'd)**

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2021 are as follows: (Cont'd)

Name or category of participant	At 1 January 2021	Granted during the period	Number of share options		At 30 June 2021	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period	Forfeited during the period				
Independent non-executive directors									
Mr. Lau Siu Ki, Kevin	110,000	-	-	-	-	26 Aug 16	26 Aug 17-25 Aug 21	1.255	-
	200,000	-	-	-	-	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	200,000	-	-	-	-	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	510,000	-	-	-	-				
Dr. Lin Jin Tong	55,000	-	-	-	-	26 Aug 16	26 Aug 17-25 Aug 21	1.255	-
	200,000	-	-	-	-	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	200,000	-	-	-	-	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	455,000	-	-	-	-				
Ms. Ng Yi Kum	200,000	-	-	-	-	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
Ms. Wong Lok Lam	-	-	-	-	-				
Other employees in aggregate	19,522,250	-	(4,360,250)	-	(1,500)	26 Aug 16	26 Aug 17-25 Aug 21	1.255	2.2063
	27,285,500	-	(2,688,000)	-	(313,000)	10 Apr 18	10 Apr 19-9 Apr 23	1.170	2.0151
	42,887,500	-	(281,500)	-	(635,500)	8 Apr 19	8 Apr 20-7 Apr 24	1.890	2.2163
	-	40,000,000	-	-	-	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	89,695,250	40,000,000	(7,329,750)	-	(950,000)				2.1366
	138,060,250	50,000,000	(7,329,750)	-	(950,000)				

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

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16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

50,000,000 share options were granted on 13 April 2021 with an exercise price of HK\$2.03 under the 2013 Scheme during the period ended 30 June 2021. The closing price of the Company's shares immediately before the date on which the options were granted was HK\$2.00.

The fair value of the share options granted during the current period was approximately HK\$33,178,000 (HK\$0.66 each), of which the Group recognized a share option expense of approximately HK\$3,606,000 during the current period. Fair value of the share options granted to the following persons on the date of grant was listed as below:

	Fair Value
	HK\$'000
Executive Directors	
Mr. Xu Huijun	2,680
Mr. Chang Fei Fu	1,341
Mr. Bu Binlong	1,341
Ms. Huo Xinru	1,341
	6,703
Other employees in aggregate	26,475
	33,178

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

The fair value of equity-settled share options granted during the current period was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	0.94
Expected volatility (%)	43.27
Risk-free interest rate (%)	0.76
Post vesting exit rate (%)	15.34-21.13
Expected life of the share options (years)	1.90
Weighted average share price (HK\$ per share)	2.03

The expected life of the share options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

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**16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND
SHARE INCENTIVE SCHEME (Cont'd)**

(a) **SHARE OPTION SCHEME (Cont'd)**

The exercise prices and exercise periods of the share options outstanding under the 2013 Scheme as at the end of the reporting period are as follows:

30 June 2021 Number of share options	Exercise price of share options HK\$ per share	Exercise period
21,375,500	1.255	26 August 2017 to 25 August 2021
30,834,500	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
72,570,500	1.890	8 April 2020 to 7 April 2024
50,000,000	2.030	13 April 2022 to 12 April 2026
179,780,500		
30 June 2020 Number of share options	Exercise price of share options HK\$ per share	Exercise period
31,150,500	1.255	26 August 2017 to 25 August 2021
37,266,500	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
75,656,500	1.890	8 April 2020 to 7 April 2024
149,073,500		

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(a) SHARE OPTION SCHEME (Cont'd)

The expense recognized in the condensed consolidated statement of profit or loss for employee services received during the six months ended 30 June 2021 is approximately HK\$11,481,000 (six months ended 30 June 2020: HK\$15,083,000).

At the end of the reporting period, the Company had 179,780,500 share options outstanding under the 2013 Scheme, of which 77,285,500 were vested and 102,495,000 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 179,780,500 additional ordinary shares of the Company and additional share capital of approximately HK\$17,978,000 and share premium of approximately HK\$290,083,000 (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 157,545,500 share options outstanding under the 2013 Scheme, which represented approximately 5.68% of the Company's shares in issue as at that date.

According to the scheme limit of the 2013 Scheme as refreshed at the annual general meeting held on 28 May 2018, the Company may further grant 246,516,486 share options (being 10% of the total number of issued shares of the Company as at 28 May 2018). Since 5,000,000 share options, 80,000,000 share options and 50,000,000 share options were granted on 28 August 2018, 8 April 2019 and 13 April 2021 respectively, the total number of unissued share options under the scheme limit became 111,516,486, representing approximately 4.04% of the Company's shares in issue as at 30 June 2021.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(b) SHARE AWARD SCHEME

The Company adopted a Share Award Scheme on the Adoption Date. The purposes and objectives of the Share Award Scheme are to recognize the contributions made by certain employees and persons to the Group (the "Selected Persons") and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Unless it is early terminated by the board of directors of the Company (the "Board") in accordance with the terms therein, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date.

The Board has resolved to renew the term of Share Award Scheme for a term of ten years as from 25 March 2021 to 25 March 2031.

Pursuant to the Share Award Scheme, (i) awarded shares (the "Awarded Shares") will be acquired by the trustee and/or the administrator of the Share Award Scheme (the "Trustee/Administrator") at the cost of the Company at the prevailing market price and be held in trust for the Selected Persons until the end of each vesting period; or (ii) new Awarded Shares may be allotted and issued to the Trustee/Administrator under general mandates granted or to be granted by the shareholders at general meetings from time to time and be held in trust for Selected Persons until the end of each vesting period.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(b) SHARE AWARD SCHEME (Cont'd)

The Board shall not make any further award of the Awarded Shares which will result in the nominal value of the shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders). The maximum number of shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders). The aforesaid limit may be refreshed or amended by approval of the shareholders in a general meeting. Nevertheless, the total number of the Awarded Shares which may be issued under the Share Award Scheme and the exercise of all options to be granted under other incentive and option schemes of the Company (including the 2013 Scheme) as so refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Awarded Shares or share options previously granted under the Share Award Scheme or the 2013 Scheme (including those vested, outstanding, cancelled and lapsed) will not be counted for the purpose of calculating the limit as refreshed. The Company will not issue any Awarded Shares under the Share Award Scheme which would result in the total number of the Awarded Shares together with shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme or any other incentive or share option schemes of the Company representing in aggregate over 30% of the shares in issue as at the date of such grant.

On 12 April 2011, the Board resolved to award 26,000,000 Awarded Shares to 365 Selected Persons under the Share Award Scheme by way of issue and allotment of new Awarded Shares pursuant to the general mandate granted by the shareholders of the Company at the annual general meeting of the Company held on 24 May 2010.

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**16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND
SHARE INCENTIVE SCHEME (Cont'd)**

(b) **SHARE AWARD SCHEME (Cont'd)**

Movements in the number of treasury shares held for the Share Award Scheme for the six months ended 30 June 2020 and 2021 are as follows:

	Treasury shares held for the Share Award Scheme
At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	16,637,136

No Awarded Shares held for the Selected Persons were outstanding as at 30 June 2021.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(c) SHARE INCENTIVE SCHEME

On 29 May 2020, the Company adopted a share incentive scheme (the "Scheme") and on 1 June 2020 and 10 June 2020, the shares of Comba Network Systems Company Limited ("Comba Network"), an indirect subsidiary of the Company, were awarded to directors, employees and consultants of the Group to recognize their contributions. Comba Business Consulting (Guangzhou) Limited[#] (京信企業諮詢(廣州)有限公司) ("Comba Consulting", an indirect wholly-owned subsidiary of the Company), acts as a general partner, together with the selected participants in the Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships (as defined below) and four G Partnerships (as defined below) in the People's Republic of China.

Comba Consulting has set up Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)) (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under Non-G Partnerships consist of four Directors, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network and its subsidiaries, collectively the "Comba Network Group") and three consultants of the Group (excluding Comba Network Group). Upon the completion of the establishment, Non-G Partnerships purchased certain existing shares of Comba Network from Comba Telecom Systems Limited, a wholly owned subsidiary of the Company, at the total consideration of RMB57,700,000.

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16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(c) SHARE INCENTIVE SCHEME (Cont'd)

Comba Consulting has also set up Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)) (the "G Partnerships") under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. Upon the completion of the establishment, G Partnerships subscribed for and Comba Network issued certain new shares at the total consideration of RMB54,400,000.

Pursuant to the partnership interest transfer agreements entered into between (i) Comba Consulting as general partner (the "G General Partner") of G Partnerships (the "Existing G Partnerships") and (ii) certain existing limited partners in G Partnerships which consist of a Director together with 100 employees and five directors in the Comba Network Group (the "Existing G Limited Partners") and certain new limited partners in G Partnerships which consist of 10 employees in the Comba Network Group (the "Additional G Limited Partners") on 12 April 2021, the G General Partner has transferred its limited partnership interests in the Existing G Partnerships in the aggregate amount of RMB14,000,000 to certain Existing G Limited Partners and Additional G Limited Partners, as limited partners of the Existing G Partnerships, including RMB13,160,000 to certain Existing G Limited Partners and RMB840,000 to the Additional G Limited Partners at the total consideration of RMB14,000,000.

16. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (Cont'd)

(c) SHARE INCENTIVE SCHEME (Cont'd)

Comba Consulting has further set up Xin Han Tong No.9 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通九號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.10 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.11 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十一號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.12 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)) (collectively the "New G Partnerships") in the People's Republic of China under the New G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under New G Partnerships consist of 174 employees of the Comba Network Group.

Pursuant to the capital increase agreement entered into between New G Partnerships and Comba Network on 12 April 2021, the New G Partnerships subscribed for and Comba Network issued new shares at the total consideration of RMB20,000,000, including RMB19,880,000 contributed by the limited partners in New G Partnerships as limited partners, and RMB120,000 contributed by Comba Consulting as general partner, respectively.

Each of the Non-G Partnerships, Existing G Partnerships and New G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. As at 30 June 2021, the Non-G Partnerships, Existing G Partnerships and New G Partnerships hold approximately 4.80%, 4.53% and 1.66% of the equity interest of Comba Network, respectively.

The Group had recorded the expenses associated with the shares granted under the Share Incentive Scheme of HK\$12,150,000 in the statement of profit or loss in the first half of 2021.

[#] for identification purpose

NOTES TO INTERIM CONDENSED CONSOLIDATED
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30 June 2021

17. RESERVES

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

18. CONTINGENT LIABILITIES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Guarantees given to banks in respect of performance bonds	312,075	381,819

19. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	33,218	17,225

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

As at 30 June 2021 and 31 December 2020, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

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FINANCIAL STATEMENTS (CONT'D)

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20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2021 and 31 December 2020:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	Nil (2020: 12.08 to 12.91)	Nil (2020: 10%) increase/decrease in multiple would result in increase/decrease in fair value by nil (2020: HK\$299,000)
		Average P/B multiple of peers	1.09 (2020: Nil)	10% (2020: Nil) increase/decrease in multiple would result in increase/decrease in fair value by HK\$223,000 (2020: Nil)
		Discount for lack of marketability	30% (2020: 30%)	10% (2020: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$96,000 (2020: HK\$128,000)
	Discounted cash flow method	Long term growth rate	3% (2020: 3%)	10% (2020: 10%) increase/decrease in growth rate would result in increase/decrease in fair value by HK\$558,000 (2020: HK\$377,000)
		Long term operating margin	41% (2020: 41%)	10% (2020: 10%) increase/decrease in operating margin would result in increase/decrease in fair value by HK\$1,563,000 (2020: HK\$5,321,000)
		Weighted average cost of capital (WACC)	20.7% (2020: 20.5%)	10% (2020: 10%) increase/decrease in WACC would result in decrease/increase in fair value by HK\$5,497,000 (2020: HK\$4,088,000)
		Discount for lack of marketability	30% (2020: 30%)	10% (2020: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$1,203,000 (2020: HK\$1,104,000)
	Discount for lack of control	5% (2020: 5%)	10% (2020: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$148,000 (2020: HK\$136,000)	
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2020: 5%) increase/decrease in fair value per share would result in increase/decrease in fair value by HK\$14,037,000 (2020: HK\$5,595,000)

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Financial assets designated at fair value through profit or loss	-	1,301	-	1,301
Equity investments designated at fair value through other comprehensive income	-	53,564	-	53,564
Equity investments designated at fair value through profit or loss	-	-	30,314	30,314
	-	54,865	30,314	85,179

NOTES TO INTERIM CONDENSED CONSOLIDATED
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30 June 2021

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

FAIR VALUE HIERARCHY (Cont'd)

Assets measured at fair value: (Cont'd)

As at 31 December 2020

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Financial assets designated at fair value through profit or loss	–	1,475	–	1,475
Equity investments designated at fair value through other comprehensive income	–	38,563	–	38,563
Equity investments designated at fair value through profit or loss	–	–	30,851	30,851
	–	40,038	30,851	70,889

Liabilities measured at fair value:

As at 30 June 2021

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Redeemable preferred shares in a subsidiary	–	–	280,743	280,743

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Cont'd)

FAIR VALUE HIERARCHY (Cont'd)

Liabilities measured at fair value: (Cont'd)

As at 31 December 2020

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Redeemable preferred shares in a subsidiary	-	-	111,908	111,908

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2020: Nil).

As at 30 June 2021 and 31 December 2020, the fair value of the unlisted equity investments designated at fair value through other comprehensive income was based on transaction price. The fair value of the unlisted equity investments designated at fair value through profit or loss was based on a market-based valuation technique. The fair values of financial assets designated at fair value through profit or loss were measured using valuation models and various market observable inputs, including tenor, volatility and spot rate.

NOTES TO INTERIM CONDENSED CONSOLIDATED
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30 June 2021

21. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term employee benefits	8,371	9,150
Pension scheme contributions	113	83
Equity-settled share option expense	3,878	4,998
Awarded share expenses	1,591	–
	13,953	14,231

22. 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.

23. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 26 August 2021.

By order of the Board
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman

Hong Kong, 26 August 2021



Comba

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Comba Telecom Systems Holdings Limited

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