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# **Comba**

## **COMBA TELECOM SYSTEMS HOLDINGS LIMITED**

### **京信通信系統控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Hong Kong Stock Code: 2342)**

**(Singapore Stock Code: STC)**

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **FINANCIAL HIGHLIGHTS**

- Revenue: HK\$5.98 billion (2022: HK\$6.36 billion)
- Gross profit: HK\$1.66 billion (2022: HK\$1.87 billion)
- Gross profit margin: 27.8% (2022: 29.4%)
- Profit attributable to shareholders: HK\$6.70 million (2022: HK\$190.24 million)
- Gearing ratio: 8.5% (2022: 12.7%)
- Operating cash flow: HK\$492.72 million (2022: HK\$499.47 million)

### **RESULTS**

The board (the “Board”) of directors (the “Director(s)”) of Comba Telecom Systems Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 (the “Current Year”), together with the comparative figures for the same period in 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS***Year ended 31 December 2023*

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>	4	<b>5,981,974</b>	6,364,677
Cost of sales		<u>(4,319,287)</u>	<u>(4,491,146)</u>
Gross profit		<b>1,662,687</b>	1,873,531
Other income and gains	4	<b>174,120</b>	236,520
Research and development expenses	5	<b>(446,059)</b>	(515,798)
Selling and distribution expenses		<b>(583,638)</b>	(565,904)
Administrative expenses		<b>(491,308)</b>	(493,411)
Other expenses		<b>(207,230)</b>	(183,504)
Finance costs	6	<b>(54,534)</b>	(60,198)
Share of profits of a joint venture		<b>626</b>	5,818
<b>PROFIT BEFORE TAX</b>	5	<b>54,664</b>	297,054
Income tax expense	7	<u><b>(39,051)</b></u>	<u>(153,558)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>15,613</b></u>	<u>143,496</u>
Attributable to:			
Owners of the parent		<b>6,696</b>	190,237
Non-controlling interests		<b>8,917</b>	(46,741)
		<u><b>15,613</b></u>	<u>143,496</u>
<b>EARNINGS PER SHARE</b>			
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>			
<b>HOLDERS OF THE PARENT</b>	9		
Basic		<b>HK0.24 cent</b>	HK6.84 cents
Diluted		<u><b>HK0.24 cent</b></u>	<u>HK6.84 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***Year ended 31 December 2023*

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>15,613</b>	143,496
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(118,318)</b>	(376,990)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(118,318)</b>	(376,990)
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	<b>22,928</b>	14,146
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>22,928</b>	14,146
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX</b>	<b>(95,390)</b>	(362,844)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(79,777)</b>	(219,348)
Attributable to:		
Owners of the parent	<b>(65,347)</b>	(65,026)
Non-controlling interests	<b>(14,430)</b>	(154,322)
	<b>(79,777)</b>	(219,348)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,078,318</b>	1,188,351
Right-of-use assets		<b>186,879</b>	191,400
Goodwill		<b>232,909</b>	242,773
Deferred tax assets		<b>43,034</b>	59,584
Intangible assets		<b>713,956</b>	726,145
Investment in a joint venture		<b>1,169</b>	6,390
Equity investments designated at fair value through other comprehensive income		<b>104,524</b>	76,314
Equity investments designated at fair value through profit or loss		<b>84,117</b>	89,871
Restricted bank deposits		<b>23,340</b>	27,078
Time deposits		<b>109,951</b>	350,861
		<hr/>	<hr/>
Total non-current assets		<b>2,578,197</b>	2,958,767
<b>CURRENT ASSETS</b>			
Inventories	<i>10</i>	<b>1,323,827</b>	1,447,911
Trade receivables	<i>11</i>	<b>3,504,455</b>	3,862,632
Notes receivable		<b>96,225</b>	112,574
Prepayments, other receivables and other assets		<b>388,317</b>	430,572
Financial assets at fair value through profit or loss		<b>1,965</b>	17,500
Restricted bank deposits		<b>129,241</b>	101,056
Time deposits		<b>198,341</b>	113,181
Cash and cash equivalents		<b>1,188,457</b>	1,531,669
		<hr/>	<hr/>
Total current assets		<b>6,830,828</b>	7,617,095
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>12</i>	<b>3,634,150</b>	4,051,703
Other payables and accruals		<b>541,454</b>	571,506
Interest-bearing bank borrowings	<i>13</i>	<b>707,980</b>	751,993
Tax payable		<b>78,258</b>	71,407
Provision for product warranties		<b>59,050</b>	70,284
Redeemable preferred shares in a subsidiary		<b>246,117</b>	–
		<hr/>	<hr/>
Total current liabilities		<b>5,267,009</b>	5,516,893
<b>NET CURRENT ASSETS</b>		<hr/> <b>1,563,819</b>	<hr/> 2,100,202
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>4,142,016</b>	<hr/> 5,058,969

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	<i>13</i>	<b>87,961</b>	590,000
Lease liabilities		<b>42,590</b>	47,205
Deferred government grant		<b>20,113</b>	15,856
Deferred tax liabilities		<b>164,986</b>	167,154
Redeemable preferred shares in a subsidiary		–	274,028
		<hr/>	<hr/>
Total non-current liabilities		<b>315,650</b>	1,094,243
		<hr/>	<hr/>
Net assets		<b>3,826,366</b>	3,964,726
		<hr/>	<hr/>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital		<b>276,576</b>	278,020
Treasury shares		<b>(22,818)</b>	(22,818)
Reserves		<b>3,327,772</b>	3,473,103
		<hr/>	<hr/>
		<b>3,581,530</b>	3,728,305
		<hr/>	<hr/>
<b>Non-controlling interests</b>		<b>244,836</b>	236,421
		<hr/>	<hr/>
Total equity		<b>3,826,366</b>	3,964,726
		<hr/>	<hr/>

## NOTES

31 December 2023

### 1. CORPORATE AND GROUP INFORMATION

Comba Telecom Systems Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the Cayman Islands Companies Act.

The head office and principal place of business of the Company is located at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were 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.

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, redeemable preferred shares in a subsidiary, forward currency contracts and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.
- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

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

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>1</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> <sup>1,4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> <sup>1,4</sup>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> <sup>1</sup>
Amendments to HKAS 21	<i>Lack of Exchangeability</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion



### 3. 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/(loss) before tax.

Year ended 31 December 2023	Wireless telecommunications network system equipment and services <i>HK\$'000</i>	Operator telecommunication services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	5,824,143	157,831	5,981,974
Profit/(loss) before tax	142,263	(87,599)	54,664
Segment assets	8,807,674	1,063,009	9,870,683
Elimination			(461,658)
<b>Total assets</b>			<b>9,409,025</b>
Segment liabilities	5,389,546	654,771	6,044,317
Elimination			(461,658)
<b>Total liabilities</b>			<b>5,582,659</b>
Year ended 31 December 2022	Wireless telecommunications network system equipment and services <i>HK\$'000</i>	Operator telecommunication services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	6,204,028	160,649	6,364,677
Profit/(loss) before tax	446,398	(149,344)	297,054
Segment assets	9,897,386	1,209,873	11,107,259
Elimination			(531,397)
<b>Total assets</b>			<b>10,575,862</b>
Segment liabilities	6,395,152	747,381	7,142,533
Elimination			(531,397)
<b>Total liabilities</b>			<b>6,611,136</b>

## Geographical information

### (a) Revenue from external customers

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	3,916,033	4,435,654
Other countries/areas in Asia Pacific	1,023,682	803,207
Americas	564,285	488,484
European Union	406,593	526,713
Middle East	44,668	56,904
Other countries	26,713	53,715
	<hr/>	<hr/>
Total revenue	<b>5,981,974</b>	<b>6,364,677</b>

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

### (b) Non-current assets

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Chinese Mainland	1,587,032	1,806,171
Lao People's Democratic Republic	928,331	1,092,152
Other countries/regions	62,834	60,444
	<hr/>	<hr/>
Total non-current assets	<b>2,578,197</b>	<b>2,958,767</b>

## Information about major customers

Revenue of approximately HK\$1,112,140,000 (2022: HK\$1,525,814,000), HK\$746,581,000 (2022: HK\$1,011,757,000) and HK\$545,148,000 (2022: HK\$406,004,000) was derived from 3 major customers, which accounted for 18.6% (2022: 24.0%), 12.5% (2022: 15.9%) and 9.1% (2022: 6.4%) of the total revenue of the Group, respectively.

#### 4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	<b>5,824,143</b>	6,204,028
Provision of operator telecommunication services	<b>157,831</b>	160,649
Total revenue	<b>5,981,974</b>	6,364,677

#### Revenue from contracts with customers

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Types of customers</b>		
PRC state-owned telecommunication operator groups	<b>2,806,966</b>	3,348,528
Other customers	<b>3,175,008</b>	3,016,149
Total revenue from contracts with customers	<b>5,981,974</b>	6,364,677

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>5,824,143</b>	6,204,028
Services transferred over time	<b>157,831</b>	160,649
Total revenue from contracts with customers	<b>5,981,974</b>	6,364,677

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	<b>91,921</b>	71,657

An analysis of other income and gains is as follows:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Other income and gains</b>		
Bank interest income	<b>37,098</b>	41,115
Government subsidies <sup>#</sup>	<b>47,266</b>	68,972
Exchange gain, net	<b>17,696</b>	37,808
Gain on fair value change of redeemable preferred shares in a subsidiary	<b>20,212</b>	43,742
VAT refunds	<b>20,813</b>	11,244
Written-off of trade payables	<b>2,245</b>	12,706
Gross rental income	<b>12,050</b>	9,984
Penalty income	<b>3,148</b>	2,710
Scrapped and recycled item sales	<b>2,284</b>	1,344
Gain on equity investments designated at fair value through profit or loss	–	633
Reversal of impairment of financial assets included in prepayments, other receivables and other assets	<b>3,742</b>	–
Others	<b>7,566</b>	6,262
Total other income and gains	<b>174,120</b>	236,520

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

## 5. PROFIT BEFORE TAX

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

	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
Cost of inventories sold and services provided	<b>4,285,662</b>	4,428,359
Depreciation of property, plant and equipment <sup>#</sup>	<b>153,033</b>	175,934
Depreciation of right-of-use assets	<b>67,029</b>	53,102
Amortization of computer software and technology and operating license <sup>#</sup>	<b>46,995</b>	39,057
Research and development expenses:		
Deferred expenditure amortized	<b>80,984</b>	167,524
Current year expenditure	<b>365,075</b>	348,274
	<hr/>	<hr/>
Total	<b>446,059</b>	515,798
	<hr/>	<hr/>
Impairment of goodwill <sup>##</sup>	<b>9,864</b>	–
Lease payments not included in the measurement of lease liabilities	<b>1,811</b>	2,669
Auditor's remuneration	<b>3,798</b>	5,229
Employee benefit expense (including directors' remuneration) <sup>^</sup> :		
Salaries and wages	<b>926,480</b>	946,649
Staff welfare expenses	<b>44,480</b>	37,152
Equity-settled share option expense	<b>7,530</b>	16,718
Awarded share expenses	<b>27,377</b>	28,173
Pension scheme contributions (defined contribution schemes)*	<b>64,992</b>	80,360
	<hr/>	<hr/>
Total	<b>1,070,859</b>	1,109,052
	<hr/>	<hr/>
Net loss/(gain) on equity investments designated at fair value through profit or loss	<b>3,208</b>	(633)
Loss on fair value change of financial assets at fair value through profit or loss <sup>##</sup>	<b>16,596</b>	3,924
Write-down of inventories to net realizable value	<b>16,722</b>	38,538
Impairment of trade receivables and notes receivable <sup>##</sup>	<b>79,329</b>	42,548
Provision for product warranties	<b>12,913</b>	18,241
(Reversal)/impairment of financial assets included in prepayments, other receivables and other assets <sup>##</sup>	<b>(3,742)</b>	17,776
Loss on disposal of items of property, plant and equipment	<b>5,002</b>	6,892
Gain on fair value change of redeemable preferred shares in a subsidiary <sup>##</sup>	<b>(20,211)</b>	(43,742)
	<hr/>	<hr/>

- \* At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2022: Nil).
- ^ Staff costs capitalized into deferred development costs amounting to HK\$82,837,000 (2022: HK\$95,067,000) have not been included in the employee benefit expense.
- # The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$60,912,000 (2022: HK\$86,870,000) and HK\$23,322,000 (2022: HK\$23,322,000) are included in “Other expenses” in the consolidated statement of profit or loss.
- ## These items are included in “Other expenses” and “Other income and gains” in the consolidated statement of profit or loss, respectively.

## 6. FINANCE COSTS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank loans	<b>50,166</b>	57,311
Interest on lease liabilities	<b>4,368</b>	2,884
Finance costs on factored trade receivables	–	3
	<hr/>	<hr/>
Total	<b>54,534</b>	60,198
	<hr/>	<hr/>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current – Charge for the year		
Hong Kong	<b>6,032</b>	1,060
Chinese Mainland	<b>14,997</b>	18,597
Elsewhere	<b>8,886</b>	5,129
Current – underprovision/(overprovision) in prior years	<b>3,212</b>	(18,936)
Deferred	<b>5,924</b>	147,708
	<hr/>	<hr/>
Total tax charge for the year	<b>39,051</b>	153,558
	<hr/>	<hr/>

Under the relevant income tax law, the subsidiaries in Chinese Mainland 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 year.

## 8. DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim – HK1.2 cent (2022: HK1 cent) per ordinary share	33,190	27,795
Proposed final – Nil (2022: HK1.1 cent) per ordinary share	<u>–</u>	<u>30,582</u>

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

The calculation of the basic earnings (2022: earnings) per share amount is based on the profit (2022: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,772,275,000 (2022: 2,779,557,000) in issue during the year.

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>6,696</u>	<u>190,237</u>
	<b>Number of shares</b>	
	2023	2022
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	<u>2,772,275,000</u>	<u>2,779,557,000</u>
Effect of dilution – weighted average number of ordinary shares: Share options	<u>–</u>	<u>457,000</u>
	<u>2,772,275,000</u>	<u>2,780,014,000</u>

## 10. INVENTORIES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Raw materials	296,214	346,342
Project materials	34,494	26,659
Work in progress	58,148	71,661
Finished goods	449,963	483,697
Inventories on site	<u>485,008</u>	<u>519,552</u>
Total	<u>1,323,827</u>	<u>1,447,911</u>

## 11. TRADE RECEIVABLES

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	<b>4,259,641</b>	4,551,699
Impairment	<b>(755,186)</b>	(689,067)
Total	<b><u>3,504,455</u></b>	<u>3,862,632</u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted with a longer credit term. The balances also include retention money, which is for assurance that the product and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale. The credit terms for major customers are reviewed regularly by senior management. 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.

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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	<b>1,503,441</b>	1,543,641
4 to 6 months	<b>472,277</b>	689,000
7 to 12 months	<b>673,858</b>	892,322
More than 1 year	<b>1,610,065</b>	1,426,736
Provision for impairment	<b><u>(755,186)</u></b>	<u>(689,067)</u>
Total	<b><u>3,504,455</u></b>	<u>3,862,632</u>

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
At beginning of year	<b>689,067</b>	723,496
Impairment losses	<b>82,589</b>	41,734
Amount written off as uncollectible	<b>(302)</b>	(28,633)
Exchange realignment	<b>(16,168)</b>	(47,530)
At end of year	<b><u>755,186</u></b>	<u>689,067</u>



## 12. 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:

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	<b>1,158,694</b>	1,552,379
4 to 6 months	<b>889,517</b>	958,155
7 to 12 months	<b>759,862</b>	631,437
More than 1 year	<b>826,077</b>	909,732
	<hr/>	<hr/>
Total	<b>3,634,150</b>	4,051,703
	<hr/>	<hr/>

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

## 13. INTEREST-BEARING BANK BORROWINGS

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analyzed into:		
Bank loans repayable		
Within 1 year or on demand	<b>707,980</b>	751,993
In the 2nd year	<b>87,961</b>	590,000
	<hr/>	<hr/>
	<b>795,941</b>	1,341,993
	<hr/>	<hr/>

As at 31 December 2023, loans denominated in Hong Kong dollars and RMB amounted to HK\$230,000,000 (2022: HK\$1,085,002,000) and HK\$565,941,000 (2022: HK\$256,991,000), respectively.

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

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

As at 31 December 2023 and 2022, certain bank loans carried floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum. Bank loans as at 31 December 2023 bear interest at rates ranging from 1% to 8.26% (2022: from 1.45% to 7.09%) per annum.

## 14. EVENTS AFTER THE REPORTING PERIOD

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

## **ANNUAL GENERAL MEETING**

The forthcoming annual general meeting (the “AGM”) of the Company will be held at 11:00 a.m. on 23 May 2024 at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

For the purpose of determination of the shareholders (the “Shareholders”) of the Company registered under the Company’s register of members in Hong Kong and register of members in Singapore for submission of proxy forms to the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited or Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. respectively, any removal of the shares (the “Share(s)”) of the Company between the Company’s register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:00 p.m. (both Hong Kong and Singapore times) on 6 May 2024.

### **For Hong Kong Shareholders**

For the purpose of determining Hong Kong Shareholders’ entitlements to attend and vote at the AGM, the register of members of the Company in Hong Kong will be closed from 20 May 2024 to 23 May 2024 (both days inclusive), during which period no transfer of Shares will be registered. The record date for determination of entitlements of the Hong Kong Shareholders to attend and vote at the AGM will be on 23 May 2024. Hong Kong Shareholders whose names appear on the register of members of the Company in Hong Kong on 23 May 2024 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on 17 May 2024.

### **For Singapore Shareholders**

In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 for registration no later than 5:00 p.m. (Singapore time) on 17 May 2024.

The notice of AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk), Singapore Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com) and the Company at [www.comba-telecom.com](http://www.comba-telecom.com) in due course.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS AND FINANCIAL REVIEW**

#### **REVENUE**

The Group reported revenue amounting to HK\$5,981,974,000 (2022: HK\$6,364,677,000) for the Current Year, representing a decrease of 6.0% over the year ended 31 December 2022 (the “Prior Year”). The decrease in revenue was mainly attributable to the slowdown of the construction plans for certain 5G network capital projects by major telecom operators in the Chinese Mainland, which led to the decline in revenue and gross profit of antenna products of the Group for the Current Year.

#### **By Customers**

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as “China Mobile Group”) was HK\$1,112,140,000 (2022: HK\$1,525,814,000), representing a decrease by 27.1% over the Prior Year, accounting for 18.6% of the Group’s revenue for the Current Year, compared with 24.0% in the Prior Year.

During the Current Year, revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as “China Unicom Group”) decreased by 26.2% over the Prior Year to HK\$746,581,000 (2022: HK\$1,011,757,000), accounting for 12.5% of the Group’s revenue in the Current Year, compared with 15.9% in the Prior Year.

During the Current Year, revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as “China Telecom Group”) amounted to approximately HK\$403,097,000 (2022: HK\$406,004,000), which was similar with the Prior Year and accounted for 6.7% of the Group’s revenue in the Current Year, compared with 6.4% in the Prior Year.

During the Current Year, revenue from China Tower Corporation Limited (“China Tower”) increased by 34.6% to HK\$545,148,000 (2022: HK\$404,953,000) as compared with the Prior Year, and represented 9.1% of the Group’s revenue in the Current Year, compared with 6.4% in the Prior Year.

During the Current Year, revenue from other China’s domestic customers decreased by 7.8% to HK\$619,089,000 (2022: HK\$671,615,000) compared with the Prior Year and represented 10.3% (2022: 10.6%) of the Group’s revenue.

On the international front, revenue generated from international customers and core equipment manufacturers for the Current Year increased by 9.8% to HK\$2,398,087,000 (2022: HK\$2,183,885,000) over the Prior Year, accounting for 40.1% of the Group's revenue in the Current Year as compared to 34.3% in the Prior Year. The increase was mainly attributable to the Group's focus on customer demand and its commitment to product innovation and breakthrough, which led to, in particular, the satisfactory results in the sales of network products.

During the Current Year, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and a non-wholly-owned subsidiary of the Group, dropped by 1.8% to HK\$157,831,000 (2022: HK\$160,649,000) as compared to the Prior Year, accounting for 2.6% (2022: 2.5%) of the Group's revenue. During the Current Year, the revenue of ETL denominated in Lao Kip demonstrated a growth trend in real terms as compared with the Prior Year, and the decrease in revenue denominated in Hong Kong dollars was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 24.9% during the Current Year.

### **By Businesses**

During the Current Year, revenue from the base station antennas and subsystems business decreased by 15.7% over the Prior Year to HK\$2,561,451,000 (2022: HK\$3,038,957,000), accounting for 42.8% (2022: 47.7%) of the Group's revenue in the Current Year. The decrease in revenue was mainly attributable to the slowdown of the construction plans for certain 5G network capital projects by major telecom operators in the Chinese Mainland.

During the Current Year, revenue generated from the network system business, including wireless enhancement and wireless access, increased by 6.5% over the Prior Year to HK\$1,117,997,000 (2022: HK\$1,050,111,000), accounting for 18.7% (2022: 16.5%) of the Group's revenue for the Current Year. The increase in revenue was mainly attributable to the solid progress in the overseas indoor coverage business of the Group, which greatly enhanced the competitiveness of scenario-based indoor coverage products.

During the Current Year, revenue from services decreased by 6.8% over the Prior Year to HK\$1,637,280,000 (2022: HK\$1,756,437,000), accounting for 27.4% (2022: 27.7%) of the Group's revenue. The Group will remain focused on undertaking high-quality construction projects.

During the Current Year, revenue from other businesses (including wireless transmission) increased by 41.5% over the Prior Year to HK\$507,415,000 (2022: HK\$358,523,000), accounting for 8.5% (2022: 5.6%) of the Group's revenue. The increase in revenue was mainly attributable to the significant growth in sales of the Group's wireless transmission equipment during the Current Year.

## **GROSS PROFIT**

During the Current Year, the Group's gross profit decreased by 11.3% to HK\$1,662,687,000 (2022: HK\$1,873,531,000) as compared with the Prior Year. The gross profit margin of the Group was 27.8% in the Current Year (2022: 29.4%), down slightly by 1.6 percentage points as compared with the Prior Year. The competition in certain target markets intensified during the Current Year.

## **OTHER INCOME AND GAINS**

During the Current Year, other income and gains decreased by 26.4% to HK\$174,120,000 (2022: HK\$236,520,000) as compared with the Prior Year, accounting for 2.9% (2022: 3.7%) of the Group's revenue. The decrease in other income and gains was mainly due to the change in the exchange rate and the change in the fair value of redeemable preferred shares during the Current Year.

## **RESEARCH AND DEVELOPMENT ("R&D") EXPENSES**

During the Current Year, R&D expenses decreased by 13.5% over the Prior Year to HK\$446,059,000 (2022: HK\$515,798,000), representing 7.5% (2022: 8.1%) of the Group's revenue. As 5G construction entered into the crucial stage of large-scale development and technology integration shifted towards multi-technology integration and innovation, the Group focused more on investing resources in R&D activities with high returns.

With its strong commitment to R&D, the Group has made significant advances in creating its own solutions with proprietary intellectual property rights, applying for approximately 5,800 patents by the end of the Current Year (31 December 2022: approximately 5,600 patents).

## **SELLING AND DISTRIBUTION ("S&D") EXPENSES**

During the Current Year, S&D expenses increased by 3.1% over the Prior Year to HK\$583,638,000 (2022: HK\$565,904,000), representing 9.8% (2022: 8.9%) of the Group's revenue. Due to the subsiding of the COVID-19 pandemic, the Group enhanced business expansion, and thus the relevant S&D expenses increased. The management expects that relevant expenses will gradually improve to the most optimal level in the future.

## **ADMINISTRATIVE EXPENSES**

During the Current Year, administrative expenses decreased by 0.4% over the Prior Year to HK\$491,308,000 (2022: HK\$493,411,000), accounting for 8.2% (2022: 7.8%) of the Group's revenue. The Group is committed to optimizing its strategy for organizational and management structure, thereby enhancing operational efficiency on a continuous basis.

## **FINANCE COSTS**

During the Current Year, finance costs decreased by 9.4% to HK\$54,534,000 (2022: HK\$60,198,000) as compared with the Prior Year, representing 0.9% (2022: 0.9%) of the Group's revenue. The Group repaid HK\$1,443,610,000 of interest-bearing bank loans in the Current Year (2022: HK\$574,304,000), significantly increased compared with the Prior Year. The decrease in finance costs was mainly due to the sound financial position of the Group and its optimized financial structures, which lowered the finance costs.

The management has also leveraged on the difference between the interest and foreign exchange rates among different regions to minimize finance costs. As of 31 December 2023, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, decreased significantly to 8.5% compared with 12.7% as of 31 December 2022.

## **OTHER EXPENSES**

During the Current Year, other expenses increased by 12.9% over the Prior Year to HK\$207,230,000 (2022: HK\$183,504,000), representing 3.5% (2022: 2.9%) of the Group's revenue. The increase in other expenses was mainly due to the increase in provision for receivables during the Current Year as the Group consistently adopted prudent operation and financial principles, which had no impact on cash flows. As the recovery of receivables continued to improve, the management considered that the risk of such receivables was under control.

## **TAX**

During the Current Year, the Group's overall taxation charge of HK\$39,051,000 (2022: HK\$153,558,000) comprised an income tax expense of HK\$33,127,000 (2022: HK\$5,850,000) and a deferred tax charge of HK\$5,924,000 (2022: HK\$147,708,000). This decrease in the overall taxation charge was due to the decrease in the deferred tax charge of the Group during the Current Year.

## **NET PROFIT**

In summary, due to the decrease in revenue and gross profit and the increase in total operating expenses of the Group during the Current Year, the profit attributable to owners of the parent of the Group was HK\$6,696,000 (2022: profit attributable to owners of the parent of HK\$190,237,000) during the Current Year.

## **DIVIDEND**

Given the Group's operating results in the Current Year and considering its long-term future development, the Board does not recommend the distribution of a final dividend for the Current Year (2022: final dividend of HK\$1.1 cent).

## **PROSPECTS**

In 2024, the global 5G industry is expected to continue to be in the stage of continuous growth and industry-integrated applications will enter into a crucial phase of large-scale development. The advancement of the 5G-A network (based on the development and enhancement of existing 5G technology for higher bandwidth, lower latency and more extensive connectivity), coupled with the integration of AI applications, cloud computing and big data technologies, will provide strong support for new industrialization, which will, in turn, facilitate the dynamic growth of the industry ecosystem and promote the effective qualitative improvement and reasonable quantitative growth of the economy. As technology progresses and applications expand in the global 5G industry, the Group will strengthen the exploration of new businesses and remain committed to product innovation. It will focus on investing resources in profitable projects while exploring and expanding the domestic and international markets. With the provision of scenario-based and highly cost-efficient product solutions as one of its core competitiveness, the Group will be able to cater to diverse customer needs and seize the chance to create more business opportunities.

## **PRODUCTS AND SOLUTIONS**

### *Base Station Antenna and Subsystems*

Leveraging on its extensive experience in mobile telecommunication network construction and its superior technology in integrating and miniaturising multifrequency and multi-system convergent antennae developed over many years, the Group continues to enhance the competitiveness of core technology and products in line with green and low-carbon development trends, which established its long-term leadership position in the base station antenna market. Widely recognized and praised by numerous domestic and overseas telecommunication network operators, core equipment manufacturers and integrators, its antenna business has a presence in various regions globally.

Targeting the demands for low-carbon and environmental protection around the world as well as operators' demands for electricity saving and cost reduction, the Group has launched the new generation of "green antenna solution" (Helifeed™) through all-rounded innovative technologies covering environmentally-friendly design and the use of eco-friendly materials, processes and production, which was a full-scenario and customized green antenna product series with basic coverage in urban areas, capacity and coverage in counties/townships/administrative villages as well as coverage along high-speed railways, to support green and low-carbon network construction of operators. The innovative low-loss, high-efficiency and low-carbon green antenna achieved a major transformation for base station antenna in terms of design concept and product structure through all-rounded technological innovation. As a result, the energy conversion efficiency of the base station antenna increased by around 20%, reaching industry-leading level of energy efficiency. Operators are expected to be able to save around 23 to 34 million kWh of electricity annually per ten thousand of base stations, representing a 13,000 to 20,000-tonne reduction in carbon emissions, which effectively realised the goals of carbon emission reduction and helped operators to reduce their operating expenses.

## *Network Product System Solutions*

Comba Network Systems Company Limited (“Comba Network”), an indirect subsidiary of the Company, principally engages in the manufacture and sales of wireless telecommunications network system equipment. Focusing on the precise construction needs for “in-depth and extensive coverage to eliminate weak and blind spots”, Comba Network offers full-scenario and highly cost-efficient integrated telecommunication and information solutions to help improve the network quality constantly and optimize network indicators for customers.

As an advocate and pioneer of scenario-based coverage in mobile telecommunication, Comba Network is committed to building a highly effective and value-adding superior network for customers. It has focused on the R&D, manufacture and sales of network system products for more than 15 years, which include base station products and extended coverage products (DAS and repeaters). Its diverse product mix has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells, micro cells, pico cells and femto cells. By offering in-depth coverage in cities and extensive coverage in rural areas, it provides highly cost-efficient and competitive products and solutions. It has commenced the commercial application of 5G small cell products in more than twenty provinces and became the first-ranked bidder in China Telecom’s centralized procurement project of digital repeaters in 2023.

Given that 5G network construction has entered a more advanced stage, Comba Network strives to stay in line with the development of scenario-based network coverage, indoor network construction and 5G industrial application by actively upgrading mobile network signals. It innovatively launched XDAS indoor coverage products for effective capacity and green coverage. It also rolled out high-power 5G PON cells to rapidly provide signal coverage to rural areas and enhance signal quality.

In the area of Open RAN, in 2023, Comba Network leveraged its well-established and widely-recognised single-frequency and multi-frequency Open RAN RRU product platform to launch an industry-leading software upgrade, and further expanded the O-RU product portfolio to support the TDD mode. In terms of technology, it introduced a highly efficient structure comprising general-purpose processing hardware and decoupling technology for software and hardware to meet the demands of operators for new network construction and maintenance of existing networks in the era of 4G/5G coexistence. The products have been applied in the base station construction for various world-renowned operators.

In respect of 5G vertical industries, Comba Network has developed FLEx5, an intelligent computing platform that fully connects with “5G network + broad internet of things + MEP + AI” engines. By providing the underlying network and platform solution for the specific needs and applications of target industries, it aims to offer integrated smart solutions to customers. In particular, 5G+ smart mining has established a replicable business model and pushed for steady progress in industrial applications in smart nuclear power, smart campus, smart education and smart energy (wind power, photovoltaic and fossil fuel). With its successful application in industrial manufacturing, transport and emergency communication, it offered the 5G basic computing platform for these industries. Comba Network will seize the emerging business opportunities arising from scenario-based application to further promote the development of integration with vertical industries.



## **MARKET EXPANSION**

### **Operator Business in the Chinese Mainland**

In 2023, the telecommunication industry maintained steady growth in general. The three major telecom operators in China will continue to deploy for low and medium-band networks for 5G macro cells, while promoting the sustainable development with multi-frequency spectrum and multi-mode, through co-construction and sharing. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of operators, the Group invested in R&D activities and made a major technological breakthrough by developing the innovative low-loss, high-efficiency and low-carbon green antenna, which achieved remarkable results in the trial commercial operation of major telecom operators in Chinese Mainland. The operators have initiated the centralized procurement bidding for green antenna products.

The focus of the 5G network is shifting from “extensive” coverage to “in-depth” coverage. As 5G-A technology becomes the forefront, the Group will continue to give full play to its technological R&D strengths which were developed over many years. It will maintain the in-depth integration between technology and vertical industries to provide customers with reliability, safety, economy, flexibility and other aspects of comprehensive indoor coverage business support.

### **International Business**

In 2023, the global economy was under pressure. The Group’s international marketing platform actively developed innovative products, explored customer needs and developed target markets. By launching innovative services and products, the Group bucked the trend and achieved solid results. Its newly developed green antenna performed extraordinarily in the lab test and pilot project of international operators, and has been supplied in batches. With a focus on the international market, the Group rolled out the industry-leading Complex-MAX active indoor coverage solution and commenced commercial deployment in South America, North Asia and Europe, covering major venues such as famous airports, railway tunnels and stadiums. Its superior technical specifications, user-friendly operation, and adaptability to multiple operators, bands and modes are well-recognized by customers.

The Group will maintain the stable cooperation with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions, with a view to offering advanced 5G application solutions to customers around the world and strengthening its global market position.

## **New Business**

The three major applications for 5G – enhancing mobile broadband, large-scale internet of things, and ultra-reliable and low-latency communications – will transform current production modes and everyday lifestyles in the coming years. During the Current Year, the Group continued to actively explore areas such as “5G + vertical industry applications”, enhanced the competitiveness of products and technology, and promoted the efficient integration of 5G technology with intelligent manufacturing. The Group made technological advances in the “5G + Mobile Robot” product series, launched a full series of mobile robots and unmanned forklift trucks, rolled out standardized scenario-based solutions, and gained wide applications in crucial sectors such as the 3C, food and pharmaceuticals, automobile and textile industries. Looking ahead, the Group will be dedicated to developing relevant innovative businesses in a bid to contribute to its business growth in the future.

## **CONCLUSION**

Last year was a year of opportunities and challenges. In the face of the complex and volatile macro environment and the increasingly competitive environment of the information and telecommunication industry, the Group will continue to actively strengthen its capability for innovative breakthroughs, maintain strategic focus and core competitiveness, seize new market opportunities, and further explore customer needs. By offering high-quality and cost-effective products and services for the 5G network upgrade of global operators, the Group will create more value for Shareholders and customers!

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2023, the Group had net current assets of HK\$1,563,819,000. The current assets of the Group comprised inventories of HK\$1,323,827,000, trade receivables of HK\$3,504,455,000, notes receivable of HK\$96,225,000, prepayments, other receivables and other assets of HK\$388,317,000, financial assets at fair value through profit or loss of HK\$1,965,000, restricted bank deposits of HK\$129,241,000, time deposits of HK\$198,341,000 and cash and cash equivalents of HK\$1,188,457,000. The current liabilities of the Group comprised trade and bills payables of HK\$3,634,150,000, other payables and accruals of HK\$541,454,000, interest-bearing bank borrowings of HK\$707,980,000, tax payable of HK\$78,258,000, provision for product warranties of HK\$59,050,000 and redeemable preferred shares in a subsidiary of HK\$246,117,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Year was 225 days compared to 229 days for the Prior Year. The Group’s trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted longer credit term. The balance of trade receivables set out above included retention money, which was for assurance that the products and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally settled after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Year was 325 days compared to 349 days for the Prior Year. The average inventory turnover for the Current Year was 117 days compared to 114 days for the Prior Year.

As at 31 December 2023, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United States dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group entered into 3-year term loan facility agreements with certain financial institutions in 2021. Details of the Group's bank borrowings are set out in note 13 above.

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

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

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 8.5% as at 31 December 2023 (31 December 2022: 12.7%).

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

## **MATERIAL ACQUISITIONS AND DISPOSALS**

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

## **USE OF PROCEEDS**

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

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

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

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

As at 31 December 2023, details of the amount of the utilized and unutilized net proceeds from the Placing are set out as follows:

Net proceeds raised <i>HK\$'000</i>	Intended use of the net proceeds	Amounts	Amounts	Amounts	Expected timeline for utilizing the residual amount of net proceeds*
		utilized as at 31 December 2022 <i>HK\$'000</i>	utilized during the Current Year <i>HK\$'000</i>	unutilized as at 31 December 2023 <i>HK\$'000</i>	
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	460,482	54,908	nil	N/A
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	120,349	30,186	20,310	by 30 June 2024
<u>686,235</u>		<u>580,831</u>	<u>85,094</u>	<u>20,310</u>	

\* 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\$152,581,000 (31 December 2022: HK\$128,134,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

## CONTINGENT LIABILITIES

As at 31 December 2023, the Group had contingent liabilities of HK\$359,619,000 (31 December 2022: HK\$293,460,000), which mainly included guarantees given to banks in respect of performance bonds.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 5,100 staffs, out of which 1,200 staffs were from ETL (31 December 2022: 5,300 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development costs, for the Current Year were HK\$1,070,859,000 (31 December 2022: HK\$1,109,052,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share schemes adopted by the Company and other members of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, Chinese Mainland or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Year, the Company repurchased a total of 39,858,000 Shares on the Hong Kong Stock Exchange for an aggregate amount of approximately HK\$59,722,000. All of the repurchased Shares were cancelled during the Current Year. Accordingly, as at 31 December 2023, the total number of issued Shares in the Company was 2,765,752,668. Details of the share repurchases during the Current Year are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate Amount paid <i>HK\$'000</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
March 2023	4,924,000	1.48	1.44	7,197
April 2023	14,024,000	1.65	1.45	22,205
May 2023	8,502,000	1.57	1.44	12,678
June 2023	8,720,000	1.47	1.34	12,465
July 2023	3,688,000	1.45	1.35	5,177
<b>Total</b>	<b>39,858,000</b>			<b>59,722</b>

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Year.

## **COMPLIANCE WITH CODE PROVISIONS**

The Board reviewed daily governance of the Company from time to time in accordance with the principles of good corporate governance and code provisions (the “Code Provisions”) as set out in Appendix C1 of the Hong Kong Listing Rules and considered that, during the Current Year, the Company has complied with all Code Provisions.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Hong Kong Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions during the Current Year.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”), together with the management and the external auditors of the Company, have reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of the annual results for the Current Year. The Audit Committee has given its consent to the accounting principles, standards and practices adopted by the Company for the audited consolidated financial statements for the Current Year and has not given any disagreement.

## **PUBLICATION OF ANNUAL REPORT**

The Company’s 2023 Annual Report containing all information required by the Hong Kong Listing Rules will be published on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk), Singapore Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com) and the Company at [www.comba-telecom.com](http://www.comba-telecom.com) in due course.

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

Hong Kong, 21 March 2024

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