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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by 27.4% to HK\$2,343 million (2023: HK\$3,228 million)
- Gross profit margin increased by 0.3% points to 26.6% (2023: 26.3%)
- (Loss)/profit attributable to shareholders: HK\$(158) million (2023: HK\$112 million)
- Operating cash flow: HK\$157 million (2023: HK\$526 million)

RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Comba Telecom Systems Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 (the “Current Period”), together with the comparative figures for the same period in 2023 (the “Prior Period”). These unaudited interim results have been reviewed by the audit committee (the “Audit Committee”) of the Company but have not been audited.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
REVENUE	5	2,343,455	3,228,189
Cost of sales		<u>(1,720,842)</u>	<u>(2,379,204)</u>
Gross profit		622,613	848,985
Other income and gains	5	65,232	186,821
Research and development expenses		(229,653)	(213,916)
Selling and distribution expenses		(255,832)	(254,003)
Administrative expenses		(207,127)	(208,762)
Other expenses		(124,997)	(150,102)
Finance costs	7	(13,505)	(30,107)
Share of profit of a joint venture		597	953
(LOSS)/PROFIT BEFORE TAX	6	(142,672)	179,869
Income tax expense	8	<u>(14,610)</u>	<u>(56,520)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(157,282)</u>	<u>123,349</u>
Attributable to:			
Owners of the parent		(158,433)	112,178
Non-controlling interests		<u>1,151</u>	<u>11,171</u>
		<u>(157,282)</u>	<u>123,349</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		<u>HK(5.73) cents</u>	<u>HK4.04 cents</u>
Diluted		<u>HK(5.73) cents</u>	<u>HK4.04 cents</u>

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	(157,282)	123,349
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(138,220)</u>	<u>(206,729)</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<u>(138,220)</u>	<u>(206,729)</u>
Other comprehensive (loss)/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	<u>(35,396)</u>	<u>22,481</u>
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<u>(35,396)</u>	<u>22,481</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(173,616)</u>	<u>(184,248)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(330,898)</u>	<u>(60,899)</u>
Attributable to:		
Owners of the parent	<u>(320,725)</u>	<u>(42,175)</u>
Non-controlling interests	<u>(10,173)</u>	<u>(18,724)</u>
	<u>(330,898)</u>	<u>(60,899)</u>

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		954,877	1,078,318
Right-of-use assets		176,159	186,879
Goodwill		232,909	232,909
Deferred tax assets		39,358	43,034
Intangible assets		680,397	713,956
Equity investments designated at fair value through other comprehensive income		55,346	104,524
Equity investments designated at fair value through profit or loss		61,007	84,117
Restricted bank deposits		21,181	23,340
Time deposits		–	109,951
Investment in a joint venture		1,762	1,169
		2,222,996	2,578,197
TOTAL non-current assets			
CURRENT ASSETS			
Inventories	11	1,161,598	1,323,827
Trade receivables	12	3,177,811	3,504,455
Notes receivable		101,761	96,225
Prepayments, other receivables and other assets		310,634	388,317
Financial assets at fair value through profit or loss		526	1,965
Restricted bank deposits		90,548	129,241
Time deposits		226,043	198,341
Cash and cash equivalents		1,438,319	1,188,457
		6,507,240	6,830,828
TOTAL current assets			
CURRENT LIABILITIES			
Trade and bills payables	13	3,238,590	3,634,150
Other payables and accruals		534,857	541,454
Interest-bearing bank borrowings	14	579,644	707,980
Tax payable		79,469	78,258
Provision for product warranties		58,332	59,050
Redeemable preferred shares in a subsidiary		243,130	246,117
		4,734,022	5,267,009
TOTAL current liabilities			
NET CURRENT ASSETS		1,773,218	1,563,819
TOTAL ASSETS LESS CURRENT LIABILITIES		3,996,214	4,142,016

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION*30 June 2024*

		30 June 2024	31 December 2023
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	<i>14</i>	312,586	87,961
Deferred government grant		19,107	20,113
Deferred tax liabilities		143,606	164,986
Lease liabilities		40,142	42,590
		<hr/>	<hr/>
Total non-current liabilities		515,441	315,650
		<hr/>	<hr/>
Net assets		3,480,773	3,826,366
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Issued capital		276,278	276,576
Treasury shares		(22,910)	(22,818)
Reserves		3,020,890	3,327,772
		<hr/>	<hr/>
		3,274,258	3,581,530
		<hr/>	<hr/>
Non-controlling interests		206,515	244,836
		<hr/>	<hr/>
Total equity		3,480,773	3,826,366
		<hr/>	<hr/>

NOTES

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the 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 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 2024 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 2023.

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 2023, 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.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 (loss)/profit before tax.

Period ended 30 June 2024	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,261,115	82,340	2,343,455
Loss before tax	(120,415)	(22,257)	(142,672)
Segment assets Elimination	8,139,914	1,019,573	9,159,487 (429,251)
Total assets			8,730,236
Segment liabilities Elimination	5,061,666	617,048	5,678,714 (429,251)
Total liabilities			5,249,463
Period ended 30 June 2023	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	3,144,237	83,952	3,228,189
Profit/(loss) before tax	215,681	(35,812)	179,869
Year ended 31 December 2023			
Segment assets Elimination	8,807,674	1,063,009	9,870,683 (461,658)
Total assets			9,409,025
Segment liabilities Elimination	5,389,546	654,771	6,044,317 (461,658)
Total liabilities			5,582,659

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Chinese Mainland	1,576,903	2,125,601
Other countries/areas in Asia Pacific	291,351	475,562
Americas	309,124	284,957
European Union	152,320	304,206
Middle East	9,596	16,508
Other countries	4,161	21,355
	<u>2,343,455</u>	<u>3,228,189</u>

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

(b) Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	Chinese Mainland	1,345,952
Lao People's Democratic Republic	815,332	928,331
Other countries/regions	61,712	62,834
	<u>2,222,996</u>	<u>2,578,197</u>

Information about major customers

Revenue of approximately HK\$426,493,000 (six months ended 30 June 2023: HK\$623,651,000), HK\$293,648,000 (six months ended 30 June 2023: HK\$526,620,000) and HK\$127,338,000 (six months ended 30 June 2023: HK\$212,713,000) was derived from 3 major customers, which accounted for 18.2% (six months ended 30 June 2023: 19.3%), 12.5% (six months ended 30 June 2023: 16.3%) and 5.4% (six months ended 30 June 2023: 6.6%) 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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	2,261,115	3,144,237
Provision of operator telecommunication services	<u>82,340</u>	<u>83,952</u>
	<u>2,343,455</u>	<u>3,228,189</u>

Revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Type of customers		
PRC state-owned telecommunication operator groups	1,071,277	1,571,168
Other customers	<u>1,272,178</u>	<u>1,657,021</u>
Total revenue from contracts with customers	<u>2,343,455</u>	<u>3,228,189</u>

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	2,261,115	3,144,237
Services transferred over time	<u>82,340</u>	<u>83,952</u>
Total revenue from contracts with customers	<u>2,343,455</u>	<u>3,228,189</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income and gains		
Bank interest income	13,063	16,731
Government subsidies [#]	16,560	29,305
Exchange gain, net	25,095	110,059
VAT refunds	1,398	2,352
Gross rental income	6,411	6,469
Gain on fair value change of redeemable preferred shares in a subsidiary	–	387
Gain on equity investment designated at fair value through profit or loss	–	16,984
Scrapped and recycled items sales income	207	512
Penalty income	814	835
Other miscellaneous income	1,684	3,187
	65,232	186,821

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

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	1,665,066	2,349,923
Depreciation of property, plant and equipment ^{##}	69,728	73,497
Depreciation of right-of-use assets	26,487	26,920
Amortization of computer software, technology and operating license ^{##}	15,385	29,021
Research and development expenses:		
Deferred expenditure amortized	24,857	46,738
Current period expenditure	204,796	167,178
	229,653	213,916
Employee benefit expense (including directors' remuneration):		
Salaries and wages	477,148	429,203
Staff welfare expenses	28,274	19,670
Equity-settled share option expense	1,811	5,096
Awarded share expenses	13,408	13,445
Pension scheme contributions (defined contribution scheme) [#]	35,279	34,078
	555,920	501,492
Net loss/(gain) on equity investments designated at fair value through profit or loss	21,371	(16,984)
Loss on fair value change of financial assets at fair value through profit or loss	1,439	13,766
Provision for product warranties [^]	5,920	7,499
Write-down of inventories to net realizable value [^]	40,409	17,531
Impairment of trade receivables and notes receivable ^{###}	48,828	84,980
Reversal of impairment of financial assets included in prepayments, other receivables and other assets ^{###}	(4,605)	(826)
Loss on disposal of items of property, plant and equipment ^{###}	4,003	4,739
Loss/(gain) on fair value change of redeemable preferred shares in a subsidiary ^{###}	2,656	(387)

- [^] The provision for product warranties and write-down of inventories to net realizable value for the period were included in “Cost of sales” in the consolidated statement of profit or loss.
- [#] As at 30 June 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2023: Nil).
- ^{##} The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$30,736,000 (six months ended 30 June 2023: HK\$30,662,000) and HK\$11,661,000 (six months ended 30 June 2023: HK\$11,661,000) are included in “Other expenses” in the consolidated statement of profit or loss.
- ^{###} These items are included in “Other expenses” and “Other income and gains” in the consolidated statement of profit or loss, respectively.

7. FINANCE COSTS

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on bank borrowings	10,715	27,062
Interest on lease liabilities	2,790	3,045
Total	<u>13,505</u>	<u>30,107</u>

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	2,485	1,566
Chinese Mainland	17,655	37,657
Elsewhere	286	3,366
Current – underprovision in prior periods	383	1,379
Deferred	<u>(6,199)</u>	<u>12,552</u>
Total tax charge for the period	<u>14,610</u>	<u>56,520</u>

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

9. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Final dividend declared and paid – Nil (2023:1.1 cent) per ordinary share	–	30,556

Note:

The directors recommended that not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.2 cent 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 2,765,753,000 (six months ended 30 June 2023: 2,779,029,000) in issue 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 loss/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 period ended 30 June 2024 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.

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

	For the six months ended 30 June	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	(158,433)	112,178

	Number of shares	
	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss/earnings per share calculations	2,765,753,000	2,779,029,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	565,000
	<u>2,765,753,000</u>	<u>2,779,594,000</u>

11. INVENTORIES

	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Raw materials	260,374	296,214
Project materials	27,924	34,494
Work in progress	60,118	58,148
Finished goods	418,992	449,963
Inventories on site	394,190	485,008
	<u>1,161,598</u>	<u>1,323,827</u>

12. TRADE RECEIVABLES

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

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

	30 June 2024 <i>HK\$'000</i> (Unaudited)	31 December 2023 <i>HK\$'000</i> (Audited)
Within 3 months	1,159,033	1,503,441
4 to 6 months	373,704	472,277
7 to 12 months	827,302	673,858
More than 1 year	1,604,512	1,610,065
	3,964,551	4,259,641
Provision for impairment	(786,740)	(755,186)
	3,177,811	3,504,455

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

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

As at 30 June 2024

	Current	Past due			Total
		Less than 1 year	1-2 years	Over 2 years	
Expected credit loss rate	1.65%	8.00%	20.18%	81.22%	
Gross carrying amount (<i>HK\$'000</i>)	2,371,930	575,203	204,410	813,008	3,964,551
Expected credit losses (<i>HK\$'000</i>)	39,143	45,989	41,256	660,352	786,740

As at 31 December 2023

	Current	Past due			Total
		Less than 1 year	1-2 years	Over 2 years	
Expected credit loss rate	1.49%	6.58%	17.66%	82.60%	
Gross carrying amount (<i>HK\$'000</i>)	2,659,781	654,934	166,369	778,557	4,259,641
Expected credit losses (<i>HK\$'000</i>)	39,620	43,118	29,389	643,059	755,186

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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	1,262,575	1,158,694
4 to 6 months	849,703	889,517
7 to 12 months	516,906	759,862
More than 1 year	609,406	826,077
	<u>3,238,590</u>	<u>3,634,150</u>

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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	579,644	707,980
In the 2nd year	312,586	87,961
	<u>892,230</u>	<u>795,941</u>

As at 30 June 2024, loans denominated in Hong Kong dollars and RMB amounted to HK\$60,000,000 (31 December 2023: HK\$230,000,000) and HK\$832,230,000 (31 December 2023: HK\$565,941,000), respectively.

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

During the six months ended 30 June 2024, certain transactions between subsidiaries of the Company were settled by bank bills. Bills are issued through inter-group transactions and the relevant group entities discounted the bills receivables to the bank. The Group had recognised the cash received of HK\$144,043,000 on the transfer of the bills receivables as bank borrowings (31 December 2023: 91,452,000).

Bank loans as at 30 June 2024 bear interest at rates ranging from 1.2% to 6.94% (31 December 2023: from 1% to 8.26%) per annum.

15. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Entering 2024, although the global macro-environment remained uncertain, the infrastructure construction of the 5G industry continued to progress steadily. The integration of technologies, such as 5G-A, artificial intelligence, big data, cloud computing, Internet of Things and Integrated Sensing and Communication, was actively responding to the demand of development in the communications industry driven by ecological application of AIGC, data centres, computing network, low-altitude network, Internet of Vehicles and industrial Internet. Despite the slowdown of the construction plans for network capital projects by telecom operators, the trends of global informatization, digitalization, network-based development and intelligentization in this era were irresistible. With the continuous optimization in industrial chain system and ongoing technological advancement, the Group continued to promote the upgrade and evolution of 5G network solutions, with a view to achieving cost reduction, efficiency improvement, quality enhancement and innovation. It also propelled the development in the direction of more flexible configuration, more comprehensive services, more exceptional functional performance, higher intelligentization, lower carbon and more environmentally-friendly so as to satisfy the ever-changing market needs.

REVENUE

The Group reported interim revenue of HK\$2,343,455,000 (2023: HK\$3,228,189,000) for the Current Period, representing a decrease of 27.4% as compared to the Prior Period. The decrease in revenue was mainly attributable to the slowdown of the construction plans for network capital projects by global telecom operators during the Current Period.

BY CUSTOMERS

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 31.6% over the Prior Period to HK\$426,493,000 (2023: HK\$623,651,000), accounting for 18.2% of the Group's revenue for the Current Period, compared with 19.3% for the Prior Period.

Revenue generated from China United Telecommunication Corporation and its subsidiaries decreased by 75.8% over the Prior Period to HK\$127,338,000 (2023: HK\$526,620,000), accounting for 5.4% of the Group's revenue for the Current Period, compared with 16.3% for the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries increased by 41.1% over the Prior Period to HK\$293,648,000 (2023: HK\$208,184,000), accounting for 12.5% of the Group's revenue for the Current Period, compared with 6.4% for the Prior Period.

Revenue from China Tower Corporation Limited increased by 5.2% over the Prior Period to HK\$223,798,000 (2023: HK\$212,713,000), accounting for 9.5% of the Group's revenue for the Current Period, compared with 6.6% for the Prior Period.

During the Current Period, revenue from other customers in the Chinese Mainland decreased by 24.3% over the Prior Period to HK\$215,630,000 (2023: HK\$284,946,000) and represented 9.2% (2023: 8.9%) of the Group's revenue.

On the international front, revenue generated from international customers and core equipment manufacturers for the Current Period decreased by 24.4% to HK\$974,207,000 (2023: HK\$1,288,123,000) over the Prior Period, accounting for 41.6% of the Group's revenue for the Current Period, as compared to 39.9% for the Prior Period.

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and a non-wholly-owned subsidiary of the Group, decreased by 1.9% over the Prior Period to HK\$82,340,000 (2023: HK\$83,952,000), accounting for 3.5% of the Group's revenue for the Current Period (2023: 2.6%). During the Current Period, ETL's revenue denominated in Lao Kip increased by 20.4% over the Prior Period, however the decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 12.4% during the Current Period.

BY BUSINESSES

During the Current Period, revenue from the base station antennas and subsystems business decreased by 39.7% over the Prior Period to HK\$995,652,000 (2023: HK\$1,652,227,000), accounting for 42.5% (2023: 51.2%) of the Group's revenue in the Current Period.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, decreased by 25.5% over the Prior Period to HK\$372,860,000 (2023: HK\$500,383,000), accounting for 15.9% (2023: 15.5%) of the Group's revenue for the Current Period.

During the Current Period, revenue from services decreased by 15.7% over the Prior Period to HK\$597,687,000 (2023: HK\$708,722,000), accounting for 25.5% (2023: 22.1%) of the Group's revenue. The Group will remain focused on undertaking high-quality construction projects and invest resources in projects with a higher gross profit margin.

During the Current Period, revenue from other businesses (including wireless transmission) increased by 4.2% over the Prior Period to HK\$294,917,000 (2023: HK\$282,905,000), accounting for 12.6% (2023: 8.8%) of the Group's revenue. The increase in revenue was mainly attributable to the continuous growth in sales of the Group's wireless transmission equipment during the Current Period.

GROSS PROFIT

During the Current Period, the Group's gross profit decreased by 26.7% to HK\$622,613,000 (2023: HK\$848,985,000) as compared with the Prior Period. The gross profit margin of the Group was 26.6% in the Current Period (2023: 26.3%), increased by 0.3 percentage points as compared with the Prior Period. The decrease in gross profit was mainly attributable to the decrease of overall revenue and the increase in provision made for inventory. The steady increase in gross profit margin was attributable to the competitiveness of new products and the remarkable results of the Group's effort in cost reduction and efficiency improvement.

OTHER INCOME AND GAINS

During the Current Period, other income and gains decreased by 65.1% to HK\$65,232,000 (2023: HK\$186,821,000) as compared with the Prior Period, accounting for 2.8% (2023: 5.8%) of the Group's revenue. The decrease in other income and gains as compared with the Prior Period was mainly due to the lower exchange gains during the Current Period, as compared with higher-than-expected exchange gains of HK\$110,000,000 arising from the reorganization of loan portfolio in the Prior Period.

RESEARCH AND DEVELOPMENT (“R&D”) EXPENSES

During the Current Period, R&D expenses increased by 7.4% over the Prior Period to HK\$229,653,000 (2023: HK\$213,916,000), representing 9.8% (2023: 6.6%) of the Group's revenue. The entering of the post-5G era has created opportunities for new application scenarios and models. To enhance the competitiveness of its products, the Group has invested resources in relevant R&D activities in a more effective manner and embraced continuous innovation.

With its strong commitment to R&D, the Group has made advances in creating its own solutions with proprietary intellectual property rights, applying for over 5,800 patents by the end of the Current Period.

SELLING AND DISTRIBUTION (“S&D”) EXPENSES

During the Current Period, S&D expenses increased by 0.7% over the Prior Period to HK\$255,832,000 (2023: HK\$254,003,000), representing 10.9% (2023: 7.9%) of the Group's revenue. The Group upgraded its business expansion strategy to focus on more profitable projects, thereby continuing to enhance the cost-effectiveness of its investment in resources.

ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses decreased by 0.8% over the Prior Period to HK\$207,127,000 (2023: HK\$208,762,000), accounting for 8.8% (2023: 6.5%) of the Group's revenue. The Group is committed to optimizing its strategy for organizational and management structure, thereby enhancing operational efficiency on a continuous basis.

FINANCE COSTS

During the Current Period, finance costs decreased by 55.1% to HK\$13,505,000 (2023: HK\$30,107,000) as compared with the Prior Period, representing 0.6% (2023: 0.9%) of the Group's revenue. The decrease in finance costs was mainly due to the decrease in bank borrowing balance and interest on the borrowings during the Current Period.

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

The management has also leveraged the difference between the interest and foreign exchange rates among different countries to minimize finance costs. As of 30 June 2024, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 10.2% compared with 8.5% as of 31 December 2023.

OTHER EXPENSES

During the Current Period, other expenses decreased by 16.7% over the Prior Period to HK\$124,997,000 (2023: HK\$150,102,000), representing 5.3% (2023: 4.6%) of the Group's revenue. The decrease in other expenses was mainly due to the decrease in the provision made for receivables during the Current Period as the Group consistently adopted prudent operation and financial principles, which had no impact on cash flows. As the recovery of receivables continued to improve, the management considered that the risk of such receivables was under control.

TAX

During the Current Period, the Group's overall taxation charge of HK\$14,610,000 (2023: HK\$56,520,000) comprised an income tax expense of HK\$20,809,000 (2023: HK\$43,968,000) and a deferred tax credit of HK\$6,199,000 (deferred tax charge of 2023: HK\$12,552,000).

Details of the preferential tax rate enjoyed by major operating subsidiaries are set out in note 8 above.

LOSS

The loss attributable to owners of the parent of the Group was HK\$158,433,000 (2023: profit attributable to owners of the parent of HK\$112,178,000 in the same period) during the Current Period.

DIVIDEND

Given the Group's operating results in the Current Period and taking into consideration its long-term future development and flexibility of its financial position, the Board does not recommend the distribution of an interim dividend for the Current Period (2023: HK\$1.2 cents per ordinary share. The total dividend payout ratio, on the basis of basic earnings per share, was 29.7%).

PROSPECTS

In 2024, the total number of 5G base stations deployed globally continued to grow, with 261 operators having launched commercial 5G mobile services. The industry demonstrated positive development momentum in various aspects. Chinese Mainland has actively pushed forward the development of 5G RedCap (lightweight) standard. The Ministry of Industry and Information Technology also launched the 5G Lightweight Interoperability Initiative, which coordinated the exploration of innovative applications in key scenarios such as data collection, power load regulation, mobile office and public consumption. Operators in Chinese Mainland are laying out the development of ToB business, which integrated cloud, network, computing and industrial applications, for the post-5G cycle. The 5G-A network has exhibited its application potential in various aspects, including low-altitude transportation, autonomous driving, industrial production and smart cities. A number of milestones were also achieved in the development of 5GLAN, 5G internet of things, edge computing and 5G specialized network. In addition, 3GPP has initiated the first-ever research on 6G standard to promote the global 6G development.

As technology advances and applications expand in the global information and telecommunication industry, the Group will strengthen the exploration of new businesses, remain committed to product innovation, maintain product competitiveness and focus on investing resources in profitable projects, so as to cope with the ever-expanding application demands.

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 multi-frequency and multi-system convergent antennae developed over many years, the Group established its long-term leadership position in the base station antenna market. It also enhanced its key technologies and product competitiveness through persistent research and development, innovation and patent invention, and hence garnered recognition and applause from numerous Chinese domestic and overseas telecommunication network operators, core equipment manufacturers and integrators.

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 upgraded the new generation of "green antenna solution" (Helifeed™) to a 2.0 version with high efficiency and low loss 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, extensive coverage in rural areas as well as coverage along high-speed railways and sea routes, to meet the green and low-carbon network construction demand of operators. The Group achieved a major transformation for base station antenna in terms of design concept and product structure through all-rounded technological innovation.

In response to the demand for low-altitude network construction plan which has already been launched by Chinese domestic operators, the Group innovatively launched the 5G-A air-to-ground stereo shaping green antenna in collaboration with its partners, and successfully completed the country's first pilot verification of 2.1G NR air-to-ground integrated stereo coverage network. This antenna can ensure that the quality of the ground coverage network remains unchanged while significantly enhancing the coverage capability of 5G base stations. The coverage area is expanded from the conventional ground to the low-altitude area within 600 meters, marking an important solution for 5G-A low-altitude collaborative networking. It provides a strong support for the development of new technologies represented by drone applications, such as smart logistics, smart agriculture, aerial surveying and emergency rescue, thereby contributing to the further development of the global low-altitude economy. Through product and technological innovation, the Group will assist operators in building an integrated high-speed and ubiquitous network for sea, land, air and space targeting 6G. This will empower various industries to achieve the aspirational vision of "internet of everything with digital twinning" as soon as possible.

NETWORK PRODUCT SYSTEM SOLUTIONS

Comba Network Systems Company Limited ("Comba Network"), an indirect subsidiary of the Company, principally engages in the R&D, manufacturing 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.

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. The diverse product mix of Comba Network has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells and micro cells. By offering in-depth coverage in cities, extensive coverage in rural areas and vast coverage along remote sea routes, it provides highly cost-efficient and competitive products and solutions. During the Current Period, Comba Network co-constructed and shared the indoor wireless network coverage solutions, which achieved growth in many regions around the globe. It also innovatively launched a series of indoor coverage products to meet the needs of multi-operator sharing. These products can realize simultaneous upgrade of network signals for multiple operators in a rapid and efficient manner and hence help operators to significantly lower construction costs and power consumption of systems.

In the area of Open RAN, Comba Network has maintained open applications for commercial use during the Current Period to satisfy the demands of various global operators for new network construction and maintenance of existing networks in the era of 4G/5G co-existence. It has also continued the strategic cooperation and deployed products across many regions worldwide.

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 and 5G+ smart warehousing have established replicable business models 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.

MARKET EXPANSION

OPERATOR BUSINESS IN THE CHINESE MAINLAND

During the Current Period, with respect to the area of basic telecommunication, the three major operators in Chinese Mainland will continue to deploy 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 achieved major technological breakthroughs by developing, optimizing and upgrading the innovative low-loss, high-efficiency and low-carbon green antenna on an ongoing basis, 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 and made deployments for large-scale commercial use. During the Current Period, the Group became the leading bidder in China Mobile’s first batch of centralized procurement in respect of green, multi-frequency base station antenna products for 2024 to 2025. 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 support 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 support from the indoor, outdoor and low-altitude coverage business.

INTERNATIONAL BUSINESS

The Group's international marketing platform is expanding into overseas markets by actively exploring customer needs, cultivating target markets and proactively developing the innovative product market. The Group has capitalized on its comprehensive strengths and competitiveness in products and technology and leveraged its premium services as well as a flexible and open business model to secure a greater market share amidst the slowdown of capital investment from global operators. 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 globally and strengthening its global market position. By addressing the substantial boost in demand for indoor coverage, hotspot coverage, in-depth coverage and specialized networks in the global 5G-A era, the Group will maintain its leading edges in the areas of DAS solutions and Small Cells. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and jointly conduct R&D for more competitive next-generation products so as to grow its Open RAN business. The Group's green antenna, which achieved excellent performance in a laboratory test of a renowned international operator, has been included in the procurement list of various renowned international operators, and has been supplied in batches. With a focus on the international market, the Group rolled out the industry-leading Comflex-MAX active indoor coverage solution and commenced commercial deployment in regions including, among others, South America, North Asia and Europe, covering major venues and campuses such as famous airports, railway tunnels, stadiums and university campuses. Its superior technical specifications are well-recognized by customers.

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. The Group made technological advances in the “5G + Compound Navigation 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. The Group also achieved breakthroughs in 5G-A passive internet of things technology and holistic coverage solution for sea routes. During the Current Period, the Group launched the industry's first prototype of cellular passive Internet of Things end-to-end system and cellular passive internet of things relay networking solution. These key technological applications were shortlisted on the “Leading Technology List” in the field of electronic information by the China Association for Science and Technology. The Group will continue to promote the efficient integration of 5G technology and intelligent manufacturing, while actively exploring areas such as “5G + vertical industry applications” to expand the innovation business, with a view to contributing to its business growth in the future.

CONCLUSION

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 enhance its organizational performance and strengthen its capabilities for independent R&D and innovative breakthroughs, while consolidating its existing operation achievements. By grasping new market opportunities and further exploring customer needs, the Group will provide stable, high-quality and cost-effective products and services to global operators and industry customers.

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 2024, the Group had net current assets of HK\$1,773,218,000. The current assets of the Group comprised inventories of HK\$1,161,598,000, trade receivables of HK\$3,177,811,000, notes receivable of HK\$101,761,000, prepayments, other receivables and other assets of HK\$310,634,000, financial assets at fair value through profit or loss of HK\$526,000, restricted bank deposits of HK\$90,548,000, time deposits of HK\$226,043,000 and cash and cash equivalents of HK\$1,438,319,000. The current liabilities of the Group comprised trade and bills payables of HK\$3,238,590,000, other payables and accruals of HK\$534,857,000, interest-bearing bank borrowings of HK\$579,644,000, tax payable of HK\$79,469,000, provision for product warranties of HK\$58,332,000 and redeemable preferred shares in a subsidiary of HK\$243,130,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 260 days compared to 218 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted longer credit term. The balance of trade receivables set out above included retention money, which was for assurance that the products and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally settled after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Period was 364 days compared to 305 days for the Prior Period. The average inventory turnover for the Current Period was 132 days compared to 99 days for the Prior Period.

As at 30 June 2024, 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.

Details of the Group's bank borrowings are set out in note 14 above.

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2024, 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 2023: non-deliverable foreign currency option contracts in respect of Indian Rupee with notional amount of US\$16,000,000).

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 10.2% as at 30 June 2024 (31 December 2023: 8.5%).

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

USE OF PROCEEDS

On 28 April 2020, the Company completed a top-up placing (the "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 (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 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 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 of the Company.

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 of the Company was approximately HK\$2.98 (after deducting the related costs and expenses).

As at 30 June 2024, approximately HK\$10,583,000 of the net proceeds from the Placing remained unutilized. As disclosed in the Company's 2023 annual report, the previous expected timeline for utilizing the residual amount of net proceeds from the Placing was 30 June 2024. Taking into account the impact of the outbreak of COVID-19 pandemic before and the economic downturn experienced during recent years, the Board considered it prudent to focus on maintaining the existing business operations and cash flow liquidity. There was thus a delay in the Group's production capacity expansion compared to its original plan. In this regard, an updated expected timeline for utilizing the residual amount is set out in the table below in light of the circumstances. The Group is committed to the intended use of proceeds and there is currently no plan to change the intended use.

As at 30 June 2024, details of the amount of the utilized and unutilized net proceeds from the Placing are set out as follows:

Net proceeds raised	Intended use of the net proceeds	Amounts	Amounts	Amounts	Expected timeline for utilizing the residual amount of net proceeds*
		utilized as at 31 December 2023	utilized during the Current Period	unutilized as at 30 June 2024	
HK\$'000		HK\$'000	HK\$'000	HK\$'000	
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	515,390	nil	nil	N/A
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	150,535	9,727	10,583	by 30 June 2025
<u>686,235</u>		<u>665,925</u>	<u>9,727</u>	<u>10,583</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\$111,729,000 (31 December 2023: HK\$152,581,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had contingent liabilities of HK\$262,922,000 (31 December 2023: HK\$359,619,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 4,800 staffs, out of which 1,200 staffs were from ETL (31 December 2023: 5,100 staffs, out of which 1,200 staffs were from ETL). The total staff costs, excluding capitalized development costs, for the Current Period were HK\$555,920,000 (30 June 2023: HK\$501,492,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share schemes adopted by the Company and other members of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the 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 (INCLUDING SALE OF TREASURY SHARES) OF THE COMPANY

During the Current Period, the Company repurchased a total of 3,140,000 shares of the Company on the Hong Kong Stock Exchange for an aggregate amount of approximately HK\$1,771,000. 2,976,000 of the repurchased shares of the Company were cancelled during the Current Period and the remainder will be cancelled subsequent to the Current Period. Accordingly, as at 30 June 2024, the total number of issued shares of the Company was 2,762,776,668. Details of the share repurchases during the Current Period are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate Amount paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2024	1,300,000	0.53	0.51	680
May 2024	308,000	0.63	0.62	195
June 2024	1,532,000	0.60	0.55	896
Total	<u>3,140,000</u>			<u>1,771</u>

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Current Period.

COMPLIANCE WITH CODE PROVISIONS

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

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 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 Period.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company, have reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of the unaudited interim condensed consolidated financial statements for the Current Period. The Audit Committee has reviewed the accounting principles, standards and practices adopted by the Company for the unaudited interim condensed consolidated financial statements for the Current Period and does not have any disagreement with the same.

PUBLICATION OF INTERIM REPORT

The Company’s 2024 Interim 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, Singapore Exchange Securities Trading Limited at www.sgx.com and the Company at www.comba-telecom.com in due course.

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

Hong Kong, 22 August 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; and the following independent non-executive Directors: Ms. NG Yi Kum, Ms. WONG Lok Lam and Mr. CHONG Chee Keong, Chris.