

Comba

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

股份編號 Stock Code : 2342

Innovating on Business,
Exploring Opportunities,
Enhancing Efficiency and
Refining Operations

創新業務，開拓商機
提升效率，優化經營

2015

INTERIM REPORT 中期報告

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling (*Chairman*)

Zhang Yue Jun

(*Vice Chairman & President*)

Tong Chak Wai, Wilson

Zheng Guo Bao

Yeung Pui Sang, Simon

Zhang Yuan Jian

Independent Non-Executive Directors

Liu Cai

Lau Siu Ki, Kevin

Lin Jin Tong

Qian Ting Shuo

COMPANY SECRETARY

Tong Chak Wai, Wilson

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin (*Chairman*)

Liu Cai

Lin Jin Tong

Qian Ting Shuo

NOMINATION COMMITTEE

Liu Cai (*Chairman*)

Lau Siu Ki, Kevin

Lin Jin Tong

Qian Ting Shuo

AUTHORIZED REPRESENTATIVES

Fok Tung Ling

Tong Chak Wai, Wilson

REGISTERED OFFICE

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

611 East Wing

No. 8 Science Park West Avenue

Hong Kong Science Park

Tai Po

Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust

Company (Cayman) Limited

4th Floor Royal Bank House

24 Shedden Road George Town

Grand Cayman KY1-1110

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

Shops 1712–1716 17th Floor

Hopewell Centre

183 Queen's Road East

Wanchai Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Notwithstanding the uncertainties in the global economy, the market landscape of the mobile telecommunications industry in Mainland China has remained largely unaffected. Against the backdrop of the favourable government policies to promote the innovative development of the mobile telecommunications industry, the kick-off of the 4G network investment cycle, and continuous network build-outs by certain mobile network operators, Comba Telecom Systems Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) continued to register a growth in its interim results for the six months ended 30 June 2015 (the “Current Period”).

Revenue

During the Current Period, the revenue of the Group was HK\$3,345,331,000 (2014: HK\$3,023,575,000), representing an increase of 10.6% over the revenue for the six months ended 30 June 2014 (the “Prior Period”). The increase of revenue was mainly attributable to the continuous 4G network build-outs by mobile network operators and increasing investment allocated to wireless enhancement in Mainland China.

During the Current Period, revenue from mobile broadband (including 3G and 4G) projects stayed at a stable level of HK\$1,978,438,000 (2014: HK\$1,950,001,000), in aggregate, accounting for 59.1% (2014: 64.5%) of the Group’s revenue.

By customers

Revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the “China Mobile Group”) registered a drop of 22.0% to HK\$1,031,474,000 (2014: HK\$1,322,843,000), accounting for 30.8% of the Group’s revenue in the Current Period, compared to 43.8% in the Prior Period.

Revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the “China Unicom Group”) increased substantially by 116.9% to HK\$806,571,000 (2014: HK\$371,813,000), accounting for 24.1% of the Group’s revenue in the Current Period, compared to 12.3% in the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased satisfactory by 32.0% to HK\$787,244,000 (2014: HK\$596,452,000), accounting for 23.5% of the Group's revenue in the Current Period, compared to 19.7% in the Prior Period.

On the international front, revenue generated by international customers and core equipment manufacturers recorded a decrease of 12.9% to HK\$596,331,000 (2014: HK\$684,963,000), accounting for 17.8% (2014: 22.7%) of the Group's revenue in the Current Period. The decline was mainly due to the drop in the revenue generated by core equipment manufacturers and the sluggish economic growth in some emerging markets.

By businesses

Revenue generated from the antennas and subsystems business increased by 21.9% over the Prior Period to HK\$1,652,770,000 (2014: HK\$1,355,771,000), accounting for 49.4% (2014: 44.9%) of the Group's revenue in the Current Period. The increase in revenue was mainly due to a steadily growing product demand for continuous 4G network build-outs following the issuance of LTE FDD licenses in Mainland China early this year.

As a result of the kick-off of the 4G network investment cycle and increased investment in wireless enhancement in Mainland China, revenue generated from the wireless enhancement business in the Current Period rose by 3.7% to HK\$600,373,000 (2014: HK\$578,901,000) over the Prior Period, accounting for 17.9% (2014: 19.1%) of the Group's revenue. In view of more project inspections to be carried out in the second half of the year, the management expects that the momentum can be sustained.

Revenue generated from the wireless access and transmission business in the Current Period decreased slightly by 2.5% over the Prior Period to HK\$139,890,000 (2014: HK\$143,452,000) and accounted for 4.2% (2014: 4.7%) of the Group's revenue. The decline in revenue of this business unit was mainly due to the decreasing demand for Wi-Fi products by mobile network operators despite the progressive increase in revenue contribution from small cells and microwave products.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue from services remained stable at HK\$952,298,000 during the Current Period (2014: HK\$945,451,000), accounting for 28.5% (2014: 31.3%) of the Group's revenue in the Current Period. The management expects that the revenue from services will increase as more wireless enhancement project inspections will be conducted in the second half of the year.

Gross Profit

During the Current Period, the Group's gross profit increased by 14.3% over the Prior Period to HK\$973,504,000 (2014: HK\$851,668,000). Despite recording a write-off of HK\$85,388,000 obsolete inventories during the Current Period, the gross profit margin increased slightly by 0.9 percentage point over the Prior Period to 29.1% in the Current Period (2014: 28.2%). The higher gross profit margin was mainly due to the adjustment of product mix and growing revenue contribution from some new high-end products.

To further improve the gross profit margin, the Group will continue to optimize the product mix, implement stringent cost control measures and ramp up the scale of new products and new businesses in order to achieve greater economies of scale.

Research and Development ("R&D") Costs

During the Current Period, R&D costs increased by 7.2% over the Prior Period to HK\$114,513,000 (2014: HK\$106,797,000), representing 3.4% (2014: 3.5%) of the Group's revenue but the Group managed to keep the percentage of R&D costs to revenue at a reasonable level and similar to the Prior Period. The increase in R&D costs was mainly due to increasing investment in R&D as a result of the rapid evolution of mobile networks and the Group's strategy to keep abreast of technological advances in the industry so as to capture more new business opportunities amidst the gradual digitalization of the mobile telecommunications industry.

With its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with proprietary intellectual property rights and has applied for more than 2,000 patents as at the end of the Current Period (As at 31 December 2014: approximately 1,900 patents).

Selling and Distribution ("S&D") Expenses

During the Current Period, S&D expenses increased by 8.4% over the Prior Period to HK\$266,986,000 (2014: HK\$246,340,000), representing 8.0% (2014: 8.1%) of the Group's revenue. The amount of S&D expenses rose due to the increase in the Group's total revenue but the percentage of S&D expenses to revenue remained at the similar level indicating that the Group successfully enhanced operational efficiency to increase the economies of scale during the Current Period.

Administrative Expenses

During the Current Period, administrative expenses decreased by 2.7% over the Prior Period to HK\$370,952,000 (2014: HK\$381,056,000), representing 11.1% (2014: 12.6%) of the Group's revenue. The decline in both the amount and percentage of administrative expenses to the Group's revenue fully demonstrated the Group's continued efforts to optimize the operational structure and human resources as well as to control the fixed costs.

Finance Costs

During the Current Period, finance costs increased by 45.5% over the Prior Period to HK\$35,973,000 (2014: HK\$24,721,000), representing 1.1% (2014: 0.8%) of the Group's revenue. The increase in finance costs was mainly due to more bank borrowings resulting in higher bank borrowing costs.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings as well as improving cash flow. To cope with the growth of the business, the management has closely monitored the latest developments of the financing market and has arranged the most appropriate financing for the Group. Under these circumstances, the Group has entered into a three-year term loan facility agreement amounting to US\$200,000,000 (equivalent to HK\$1,550 million) on 15 June 2015 with four international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, China CITIC Bank International Limited and Hang Seng Bank Limited, for partial repayment of the existing loans and indebtedness of the Group, as well as for strengthening working capital, business expansion and research and development.

In addition, the management has utilized the advantages of interest and foreign exchange rates differentiation among different countries in order to minimize finance costs. As of 30 June 2015, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a healthy level of 16.5% compared to 16.3% as of 31 December 2014.

Operating Profit

During the Current Period, the operating profit of the Group rose significantly by 61.9% to HK\$219,108,000 (2014: HK\$135,299,000) even after deducting an exchange loss of HK\$54,798,000. The increase in the operating profit was attributable to: 1) the growth in revenue from the PRC market as a result of the kick-off of 4G network investment cycle and increasing investment in wireless enhancement; 2) the slight improvement in overall gross profit margin due to the optimization of product mix and the growing revenue contribution from some new and high-end products, and 3) greater economy of scale has been achieved as a result of effective cost control measures. While the contributions were partially offset by the foreign exchange loss, the Group still recorded a significant increase in operating profit during the Current Period.

Tax

During the Current Period, the Group's overall taxation charge of HK\$72,589,000 (2014: HK\$36,783,000) comprised income tax expense of HK\$50,885,000 (2014: HK\$44,927,000) and deferred tax charge of HK\$21,704,000 (2014: deferred tax credit of HK\$8,144,000). During the Current Period, the increase in the overall taxation charge was mainly due to the increase in operating profit of the Group and the recognition of the deferred tax charge as a result of decreasing inventories.

Details of a tax holiday and/or reduced tax rates enjoyed by major operating subsidiaries are set out in note 8 to condensed consolidated financial statements.

Net Profit

During the Current Period, as a result of the growing total revenue and operating profit of the Group, profit attributable to owners of the parent ("Net Profit") was HK\$108,803,000 (2014: HK\$72,305,000), representing a substantial increase of 50.5% compared to the Prior Period.

Dividend and Bonus Issue

In view of the Group's operating results in the first half of 2015 and taking into consideration its long-term future development and the interests of shareholders of the Company (the "Shareholders"), particularly those of minority Shareholders, the board of directors of the Company (the "Board") proposes an interim dividend for 2015 of HK1.5 cents (2014: HK1.2 cents) per ordinary share. The total payout ratio, on the basis of basic earnings per share, is 25.4% (2014: 25.2% based on the number of shares issued as at 30 June 2014).

In addition to the distribution of dividends, the Board also proposes to distribute 1 bonus share for every 10 existing ordinary shares (2014: 1 bonus share for every 10 existing ordinary shares) held by Shareholders whose names appear on the Company's share register on Monday, 19 October 2015.

PROSPECTS

The Group expects that continuous 4G network rollout and network optimization, increasing mobile broadband subscription and, in particular, challenges brought by data deluge will continue to drive the revenue growth of and bring more opportunities to the Group.

Against the backdrop of a new wave of digital informatization revolution, mobile internet and Internet-of-Things are transforming sectors touching all aspects of life such as healthcare, education, transportation, catering, entertainment, shopping and more, enabling a range of new services and experience for mobile subscribers. These new businesses are becoming embedded in every aspect of our day-to-day lives. They promise a revolutionary advance in the quality of life and enterprise productivity. Hence, greater network connectivity not only adds enormous value to the evolving digital economy, but also opens a wealth of untapped opportunities to enterprises. Moreover, the key enablers of such a connected living are the evolving mobile network capabilities and extensive network coverage, areas where the Group excels in.

New business development

Enterprise network

Enterprise network has penetrated into the personal and corporate level. With the rise of such emerging technologies as Internet-of-Things, cloud computing and big data, demand for enterprise network solutions increases in various industries and areas, such as transportation, energy and government affairs, etc, thereby generating a huge market. Users need a secure and reliable wireless communication network with more powerful interface capabilities to realize multimedia dispatching, real-time data processing and other integrated businesses, to address any emergencies anywhere in any time and to enhance the efficiency of daily operations. Leveraging on its wireless access technology accumulated over a long period of time, network management big data technology and especially the internet system integration capabilities, the Group will achieve a new business growth in respect of product research and development and integration services of enterprise network. Currently, the Group has made some progresses or allocated resources in smart city, smart resorts and intelligent logistics. The management believes that "Internet Plus" of the enterprise network will represent a new growth area for the Group.

Satellite Communications

In addition, the rapidly expanding satellite communications market will be another growth driver of the Group. Capitalizing on its satellite technologies, the Group provides satellite communications products and emergency communications solutions to the customers. The PRC government is now promoting the comprehensive applications of satellite communications and satellite navigation system as well as the integrated applications of satellite with other information technologies and services with the aim of driving independent innovation development, marketization and scale development of satellite applications, thereby fueling the innovative development of the social economy. As such, the management expects that the market demand for satellite communications products will gradually increase.

Internet-of-Things Communications

To explore new growth drivers and capture more opportunities in the era of big data, a wholly-owned subsidiary of the Group has entered into an agreement in June this year with two independent third parties to form a joint venture (“JV”) in Beijing. The JV is to be principally engaged in nationwide indoor location-based service system (“LBS”) business, including an indoor mobile internet positioning system and an indoor location-based big data and map system. The long-term goal of the JV is to become a leading global LBS solutions provider. In the near future, the JV targets to promote its LBS solutions to cover a number of large-scale shopping arcades in major PRC cities.

At this current stage, the Group expects the JV to provide a relatively small contribution. Nonetheless, Internet-of-Things is one of the major highlights under the “Internet Plus” strategy pursued by the PRC government while LBS is an application within Internet-of-Things. The JV can help to accelerate the development of the Group’s Internet-of-Things business, which will in turn help it to explore more associated new business growth drivers. The Group believes more investments from the PRC government or private sector will be directed towards the mobile internet sector in the coming years, further driving the demand for LBS solutions.

All in all, to adapt to a more challenging industry landscape, the Group is further refining its business strategies to build on a combination of achieving greater excellence in its core business while innovating on its businesses to explore new areas of growth with the aim of further advancement of its operation performance.

Innovating on core businesses

In respect to its core business, the Group has remained at the forefront and has an established leading position in the wireless enhancement market over the years which is expected to gain greater momentum during the 4G network investment cycle in Mainland China. Nowadays, mobile subscribers expect a better quality user experience and continuous service improvement. As such, the entire mobile ecosystem is always constantly innovating to harness more new ways of delivering a truly rewarding user experience via more and better high-performance network facilities, products and services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's wireless solutions cover a wide range of product offerings from wireless enhancement and base station antennas to wireless access and transmission. The Group's new generation of MDAS, DAS and Innovative Cell (iCell), which are designed to accommodate needs in the age of rapid evolution of mobile networks, enable a better user experience with faster data speed and in-depth network coverage. Recently, the Group has also secured a number of wireless solutions projects including Ministro Pistarini International Airport in Ezeiza and the Jorge Newbery Airport in Buenos Aires in Argentina. In addition, the Group has achieved yet another new milestone through successful expansion into the private network market by supplying the TETRA network for in-house and police communications at Macau's newest resort. In short, the Group will continue to achieve greater excellence in its business riding on its experience and expertise in the wireless market.

Moreover, the solid strength of the Group in the antenna market remains intact and it is expected that positive market sentiment is expected to continue in the second half of the year. In addition to the growing maturity of the TD-LTE network with the increasing numbers of mobile broadband subscribers, the network build-outs resulting from the issuance of FDD-LTE licenses to certain mobile network operators in Mainland China early this year should continue to drive a stable and constant demand for base station antennas.

Meanwhile, the Group's strategy to offer customers mid-to-high end products to further improve the profit margin and market share has begun to bear fruit. The Group was delighted to achieve a new technological breakthrough in the launch of a new generation of small form factor lightweight 4G LTE base station antennas a few months ago. This new generation of LTE antennas improves the total cost of ownership for mobile network operators. Several new orders have already been secured from both domestic and overseas customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Unmatched professional service is of equal importance to the customers as the Group's innovative products. As one of the most trusted partners of its customers, the nationwide sales and engineering team of the Group is committed to offering value-added solutions to customers via monetizing the booming data traffic as well as unleashing the value within networks.

The Group remains positive in its outlook towards the Mainland China market but expects the international market may encounter some hiccups due to the weakening currency and fragile economy in certain emerging markets resulting in a slower growth.

Conclusion

The unwavering high-quality, state-of-the-art and reliable equipment and services of the Group underpin its established leadership in the wireless market over the years. The mobile telecommunications industry right now is moving towards a more open digital operation. The transformational impact of digitization creates exciting business challenges and opportunities for enterprises. With our ongoing strategic initiatives, the Group is well-positioned to continue to create value for its customers as the market transforms and thus enabling sustainable business growth of the Group in the future.

Last but not the least, the Board would like to extend its heartfelt gratitude to all the staff for their dedicated effort and contributions. The Group also greatly appreciates the continuous support of its customers, suppliers, Shareholders and business associates. The Group is steadfastly striving to achieve satisfactory results through its innovative solutions and commitment to excellence in management.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 30 June 2015, the Group had net current assets of HK\$3,653,718,000. Current assets comprised inventories of HK\$1,984,995,000, trade receivables of HK\$4,878,331,000, notes receivable of HK\$137,508,000, prepayments, deposits and other receivables of HK\$657,320,000, restricted bank deposits of HK\$317,379,000, and cash and cash equivalents of HK\$918,682,000. Current liabilities comprised trade and bills payables of HK\$3,247,025,000, other payables and accruals of HK\$1,207,454,000, interest-bearing bank borrowings of HK\$691,905,000, tax payable of HK\$1,066,000 and provisions for product warranties of HK\$93,047,000.

The average receivable turnover for the Current Period was 253 days compared to 293 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 overseas customers which are granted with a longer credit term. Credit term is extendable up to over 1 year depending on the credit worthiness of customers. Those retention money are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Period was 257 days compared to 323 days for the Prior Period. The average inventory turnover for the Current Period was 162 days compared to 200 days for the Prior Period.

As at 30 June 2015, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK\$") and United States dollars ("US\$") while the Group's bank borrowings were mainly denominated in RMB, HK\$ and US\$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

In addition to the short-term interest-bearing facilities, the Group had entered into two 3-year term loan facility agreements with certain financial institutions respectively, one with facility amount of US\$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement") and the other with facility amount of US\$200,000,000 entered into on 15 June 2015 (the "2015 Facility Agreement", together with the 2014 Facility Agreement collectively known as the "Facility Agreements"). The loan balance under the 2014 Facility Agreement was fully repaid on 18 June 2015.

Under the 2015 Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling Shareholder, and Mr. Zhang Yue Jun, who is the substantial Shareholder, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 30% of the shares (of each class) of, and equity interests in the Company free from any security and either of them shall maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. As at the date of approval of these unaudited condensed consolidated interim financial statements, the loan balance under the 2014 Facility Agreement was fully repaid and the above specific performance obligations under the 2015 Facility Agreement have been complied with.

Details of the Facility Agreements are set out in note 14 to these unaudited condensed consolidated interim financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK\$ and US\$. As the Group's revenue is substantially denominated in RMB, the Board currently considers that the fluctuation of RMB exchange rate in a narrow band should not have a material impact on the Group's business and no hedging arrangement was thus engaged.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 16.5% as at 30 June 2015 (31 December 2014: 16.3%).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group has not conducted any material acquisitions and disposals of subsidiaries and associated companies during the Current Period.

RESTRICTED BANK DEPOSIT

Deposit balances of HK\$330,938,000 (31 December 2014: HK\$359,115,000) represented the restricted deposits given to banks in respect of bills payable, interest-bearing bank borrowings and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had contingent liabilities of HK\$158,833,000 (31 December 2014: HK\$127,648,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the Group had approximately 7,800 staff. The total staff costs, excluding capitalized development cost, for the Current Period were HK\$531,706,000. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, and in accordance with the share option schemes and the share award scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in Hong Kong, the PRC or elsewhere in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all directors of the Company (the "Directors") and senior management.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the Current Period. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current Period.

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

As at 30 June 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Notes	Number of ordinary shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse	Through controlled corporation			
Mr. Fok Tung Ling ("Mr. Fok")	(a)	20,882,449	—	587,652,092	608,534,541	32.91	
Mr. Zhang Yue Jun	(b)	—	—	186,495,426	186,495,426	10.08	
Dr. Tong Chak Wai, Wilson ("Dr. Tong")		10,329,182	—	—	10,329,182	0.55	
Mr. Zheng Guo Bao ("Mr. Zheng")		4,110,582	—	—	4,110,582	0.22	
Mr. Yeung Pui Sang, Simon ("Mr. Yeung")		11,166,983	—	—	11,166,983	0.60	
Mr. Zhang Yuan Jian		3,344,991	96,800	—	3,441,791	0.18	

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Fok	605,000
Mr. Zhang Yue Jun	605,000
Dr. Tong	2,178,000
Mr. Yeung	1,815,000
Mr. Zhang Yuan Jian	1,815,000
Mr. Liu Cai	121,000
Mr. Lau Siu Ki, Kevin	121,000
Dr. Lin Jin Tong	121,000
Mr. Qian Ting Shuo	121,000

Notes:

- (a) 586,097,018 shares and 1,555,074 shares are beneficially owned by Prime Choice Investments Limited and Total Master Investments Limited, respectively. By virtue of 100% shareholding in each of Prime Choice Investments Limited and Total Master Investments Limited, Mr. Fok is deemed or taken to be interested in the total of 587,652,092 shares owned by Prime Choice Investments Limited and Total Master Investments Limited under the SFO.
- (b) These shares are beneficially owned by Wise Logic Investments Limited. By virtue of 100% shareholding in Wise Logic Investments Limited, Mr. Zhang Yue Jun is deemed or taken to be interested in the 186,495,426 shares owned by Wise Logic Investments Limited under the SFO.

Save as disclosed above and save for Mr. Zheng beneficially holds 32% equity interest in WaveLab Holdings Limited, an indirect non wholly-owned subsidiary of the Company, as at 30 June 2015, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are deemed or taken to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

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

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

As at 30 June 2015, the following substantial Shareholders (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares and share options held	Percentage of the Company's issued share capital
Prime Choice Investments Limited		Beneficial owner	586,097,018	31.70
Madam Chen Jing Na	(a)	Interest of spouse	609,139,541	32.94
Wise Logic Investments Limited		Beneficial owner	186,495,426	10.08
Madam Cai Hui Ni	(b)	Interest of spouse	187,100,426	10.11

Notes:

- (a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 608,534,541 shares and 605,000 share options in which Mr. Fok is interested or deemed to be interested for the purpose of the SFO.
- (b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 186,495,426 shares and 605,000 share options in which Mr. Zhang Yue Jun is interested or deemed to be interested for the purpose of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

- (i) 586,097,018 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and
- (ii) 186,495,426 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 30 June 2015, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Board reviewed daily governance of the Group in accordance with the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and considered that, during the Current Period, the Company regulated its operation and carried out appropriate governance in accordance with the Code Provisions. The Directors are of the view that the Company has complied with the Code Provisions during the Current Period.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealings in securities transactions of the Company by the Directors. Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and the code of conduct during the Current Period.

CHANGE IN PARTICULARS OF THE DIRECTORS

Particular of the following Director has been changed since the publication of the Company's 2014 annual report in the following respect which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules:

Effective Date	Change
13 May 2015	Mr. Lau Siu Ki, Kevin, an independent non-executive Director, has been appointed as company secretary of Hung Fook Tong Group Holdings Limited, the shares of which are listed on the main board of the Stock Exchange.

Save as disclosed above, there is no other information required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Comba Telecom Systems Limited, an indirect wholly-owned subsidiary of the Company, entered into the Facility Agreements with certain financial institutions, which contain covenants requiring specific performance obligations of Mr. Fok, the controlling Shareholder and Mr. Zhang Yue Jun, the substantial Shareholder. At the date of approval of these condensed consolidated interim financial statements, the loan balance under the 2014 Facility Agreement was fully repaid and the obligations under the 2015 Facility Agreement have been complied with. Details of the Facility Agreements are set out in note 14 to these condensed consolidated interim financial statements.

AUDIT COMMITTEE

The audit committee, together with the management, has reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, internal controls and financial reporting, including the review of the unaudited accounts for the Current Period. The audit committee has given its consent to the accounting principles, standards and practices adopted by the Company for the unaudited condensed consolidated interim financial statements for the Current Period and has not expressed any disagreement.

RECORD DATE FOR INTERIM DIVIDEND

The record date for determination of entitlements under the interim dividend will be on Monday, 7 September 2015. Shareholders whose names appear on the register of members of the Company on Monday, 7 September 2015 will be entitled to receive the interim dividend. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 7 September 2015. The dividend warrants will be despatched to the Shareholders on Wednesday, 16 September 2015.

CLOSURE OF REGISTER OF MEMBERS FOR BONUS ISSUE

The Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and issuing bonus shares on the basis of 1 bonus share for every 10 existing ordinary shares held by the Shareholders. Please refer to the Company's circular dated 16 September 2015 for details of the bonus issue.

For the purpose of determining Shareholders' entitlements under the bonus issue, the register of members of the Company will be closed from Friday, 16 October 2015 to Monday, 19 October 2015, both days inclusive, during which period no transfer of shares will be registered. The record date for determination of entitlements under the bonus issue will be on Monday, 19 October 2015. Shareholders whose names appear on the register of members of the Company on Monday, 19 October 2015 will be entitled to receive the bonus shares. In order to qualify for the bonus issue, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 15 October 2015. The bonus shares will be allotted, issued and despatched to the Shareholders on Wednesday, 28 October 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

The board of directors (the “Board” or the “Directors”) of Comba Telecom Systems Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2015, together with the comparative figures for the same period in 2014. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
REVENUE	5	3,345,331	3,023,575
Cost of sales		(2,371,827)	(2,171,907)
Gross profit		973,504	851,668
Other income and gains	5	15,864	40,488
Research and development costs		(114,513)	(106,797)
Selling and distribution expenses		(266,986)	(246,340)
Administrative expenses		(370,952)	(381,056)
Other expenses		(17,809)	(22,664)
Finance costs	7	(35,973)	(24,721)
PROFIT BEFORE TAX	6	183,135	110,578
Income tax expense	8	(72,589)	(36,783)
PROFIT FOR THE PERIOD		110,546	73,795

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONT'D)

For the six months ended 30 June 2015

		For the six months ended 30 June	
	Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Attributable to:			
Owners of the parent		108,803	72,305
Non-controlling interests		1,743	1,490
		110,546	73,795
EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT 10			
Basic		HK5.91 cents	HK3.94 cents (Restated)
Diluted		HK5.90 cents	HK3.93 cents (Restated)

Details of the dividends payable and proposed for the period are disclosed in note 9 to these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	110,546	73,795
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(27,553)	(87,691)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(27,553)	(87,691)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(27,553)	(87,691)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	82,993	(13,896)
Attributable to:		
Owners of the parent	81,219	(14,022)
Non-controlling interests	1,774	126
	82,993	(13,896)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		648,446	681,624
Prepaid land lease payments		52,441	53,062
Goodwill		28,571	28,571
Long-term trade receivables	12	3,545	12,179
Deferred tax assets		119,697	141,786
Intangible assets		214,449	196,512
Restricted bank deposits		13,559	14,564
Long-term prepayment		86,229	—
Total non-current assets		1,166,937	1,128,298
CURRENT ASSETS			
Inventories	11	1,984,995	2,234,857
Trade receivables	12	4,878,331	4,381,627
Notes receivable		137,508	149,684
Prepayments, deposits and other receivables		657,320	622,919
Restricted bank deposits		317,379	344,551
Cash and cash equivalents		918,682	1,274,796
Total current assets		8,894,215	9,008,434
CURRENT LIABILITIES			
Trade and bills payables	13	3,247,025	3,422,870
Other payables and accruals		1,207,454	1,177,630
Interest-bearing bank borrowings	14	691,905	972,635
Tax payable		1,066	25,553
Provisions for product warranties		93,047	77,863
Total current liabilities		5,240,497	5,676,551

CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION (CONT'D)

30 June 2015

	Notes	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
NET CURRENT ASSETS		3,653,718	3,331,883
TOTAL ASSETS LESS CURRENT LIABILITIES		4,820,655	4,460,181
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	969,193	678,389
Deferred tax liabilities		15,441	15,837
Total non-current liabilities		984,634	694,226
Net assets		3,836,021	3,765,955
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	184,888	167,882
Treasury shares		(13,178)	(13,114)
Reserves	17	3,581,191	3,533,198
Proposed dividend	9	25,182	21,825
		3,778,083	3,709,791
Non-controlling interests		57,938	56,164
Total equity		3,836,021	3,765,955

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Notes	Attributable to owners of the parent										Total equity HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000		Non-controlling interests HK\$'000	
At 1 January 2014	152,620	(13,572)	690,782	85,763	45,827	66,582	91,420	626,787	1,925,587	—	3,613,796	54,095	3,727,891
Profit for the period	—	—	—	—	—	—	—	—	72,305	—	72,305	1,490	73,795
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(86,327)	—	—	(86,327)	(1,364)	(87,691)
Total comprehensive loss for the period	—	—	—	—	—	—	—	(86,327)	72,305	—	(14,022)	126	(13,894)
Share option scheme	—	—	—	3,626	—	—	—	—	—	—	3,626	—	3,626
— value of services	—	—	—	(201)	—	—	—	—	201	—	—	—	—
— adjustment arising from lapse of share options	—	—	—	—	—	—	—	—	—	—	—	—	—
Share award scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— value of services	—	—	—	4,649	—	—	—	—	—	—	4,649	—	4,649
— vested awarded shares transferred to selected persons	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer to retained profits	—	517	47,299	(47,816)	—	—	—	—	—	—	—	—	—
Proposed interim 2014 dividend	—	—	—	—	—	(1,805)	—	—	1,805	—	—	—	—
	—	—	—	—	—	—	—	—	(18,314)	—	18,314	—	—
At 30 June 2014 (unaudited)	152,620	(13,055)	738,081	46,021	45,827	66,777	91,420	540,460	1,981,584	18,314	3,668,049	54,221	3,722,270

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

For the six months ended 30 June 2015

Attributable to owners of the parent													
Notes	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed dividend HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2015	167,882	(13,114)	722,878*	52,730*	45,827*	64,973*	104,412*	514,263*	2,028,115*	21,825	3,709,791	561,164	3,765,955
Profit for the period	—	—	—	—	—	—	—	—	108,803	—	108,803	1,743	110,546
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(27,584)	—	—	(27,584)	31	(27,553)
Total comprehensive income for the period	—	—	—	—	—	—	—	(27,584)	108,803	—	81,219	1,774	82,993
Share option scheme													
— value of services	16(a)	—	—	4,993	—	—	—	—	—	—	4,993	—	4,993
— exercise of share options	15	199	4,407	(674)	—	—	—	—	—	—	3,932	—	3,932
— adjustment arising from lapse of share options		—	—	(74)	—	—	—	—	74	—	—	—	—
— share options cancelled at expiry date		—	—	(41,932)	—	—	—	—	41,932	—	—	—	—
Issue of bonus shares	15	16,807	(64)	(16,743)	—	—	—	—	—	—	—	—	—
Transfer to retained profits		—	—	—	—	(1,805)	—	—	1,805	—	—	—	—
Final 2014 dividend declared		—	—	—	—	—	—	—	(27)	(21,825)	(21,852)	—	(21,852)
Proposed interim 2015 dividend	9	—	—	—	—	—	—	—	(25,182)	25,182	—	—	—
At 30 June 2015 (unaudited)	184,888	(13,178)	710,542*	15,043*	45,827*	63,168*	104,412*	486,679*	2,155,520*	25,182	3,776,083	57,938	3,836,021

* These reserve accounts comprise the consolidated reserves of HK\$3,581,191,000 (31 December 2014: HK\$3,533,198,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

		For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
	Notes		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		183,135	110,578
Adjustments for:			
Interest income	5	(5,080)	(6,701)
Finance costs	7	35,973	24,721
Depreciation	6	52,198	62,768
Recognition of prepaid land lease payments	6	643	597
Amortization of intangible assets		38,414	38,910
Loss/(gain) on disposal of items of property, plant and equipment	6	2,288	(438)
Equity-settled share option expense	6	4,993	3,626
Awarded share expense	6	—	4,649
		312,564	238,710
Decrease/(increase) in inventories		250,936	(274,259)
Increase in trade receivables		(494,599)	(524,162)
Decrease in long-term trade receivables		8,634	51,580
Decrease/(increase) in notes receivable		12,248	(77,919)
Increase in prepayments, deposits and other receivables		(34,102)	(150,585)
(Decrease)/increase in trade and bills payables		(177,489)	5,473
Increase in other payables and accruals		29,258	97,755
Increase/(decrease) in provisions for product warranties		15,147	(2,988)
Cash used in operations		(77,403)	(636,395)
Mainland China profits tax paid		(62,676)	(9,962)
Overseas profits taxes paid		(12,651)	(827)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 June 2015

		For the six months ended 30 June	
	Notes	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Net cash flows used in operating activities		(152,730)	(647,184)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5	5,080	6,701
Purchases of items of property, plant and equipment		(22,126)	(30,428)
Acquisition of intangible assets		(56,210)	(61,198)
Addition to prepaid land lease payments		—	(3,345)
Increase in long-term prepayment		(86,229)	—
Proceeds from disposal of items of property, plant and equipment		331	514
Decrease in time deposits with original maturity of over 3 months		—	132,259
Decrease in restricted bank deposits		28,350	2,810
Net cash flows (used in)/from investing activities		(130,804)	47,313
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		1,183,193	1,087,802
Repayment of bank borrowings		(1,173,252)	(1,086,763)
Exercise of share options		3,932	—
Interest paid		(35,973)	(24,721)
Dividends paid		(21,852)	—
Net cash flows used in financing activities		(43,952)	(23,682)

CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOWS (CONT'D)

For the six months ended 30 June 2015

	Notes	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(327,486)	(623,553)
Cash and cash equivalents at beginning of period		1,274,796	1,290,858
Effect of foreign exchange rate changes, net		(28,628)	(41,926)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		918,682	625,379
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		918,682	625,379

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2015

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2015 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.

These condensed consolidated interim 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 2014.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of new standards and interpretations effective as of 1 January 2015. The adoption of the new standards and interpretations has had no material effect on these interim condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

30 June 2015

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services. All of the Group's products are of a similar nature and subject to similar risks and returns. Accordingly, the Group's operating activities are attributable to a single operating segment.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Mainland China	2,825,984	2,498,064
Other countries/areas in		
Asia Pacific	156,943	131,995
Americas	228,499	284,399
European Union	91,563	86,857
Middle East	26,373	16,053
Other countries	15,969	6,207
	3,345,331	3,023,575

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

30 June 2015

4. OPERATING SEGMENT INFORMATION (Cont'd)

Geographical information (Cont'd)

(b) *Non-current assets*

Because majority of the Group's non-current assets and capital expenditure were located/incurred in Mainland China, no related geographical information of non-current assets is presented.

Information about major customers

Revenue of approximately HK\$1,031,474,000 (six months ended 30 June 2014: HK\$1,322,843,000), HK\$806,571,000 (six months ended 30 June 2014: HK\$371,813,000) and HK\$787,244,000 (six months ended 30 June 2014: HK\$596,452,000) was derived from 3 major customers, which accounted for 30.8% (six months ended 30 June 2014: 43.8%), 24.1% (six months ended 30 June 2014: 12.3%) and 23.5% (six months ended 30 June 2014: 19.7%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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.

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2015

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

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	3,145,093	2,829,134
Maintenance services	200,238	194,441
	3,345,331	3,023,575
Other income and gains		
Bank interest income	5,080	6,701
Government subsidy	1,275	1,385
VAT refunds*	4,824	6,370
Gross rental income	3,087	1,808
Exchange gain	—	22,341
Others	1,598	1,883
	15,864	40,488

- * Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2015

6. PROFIT BEFORE TAX

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

	Note	For the six months ended 30 June	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Cost of inventories sold and services provided		2,222,545	2,127,039
Depreciation		52,198	62,768
Recognition of prepaid land lease payments		643	597
Amortization of computer software and technology		4,813	6,768
Research and development costs:			
Deferred expenditure amortized		33,601	32,142
Current period expenditure		114,513	106,797
		148,114	138,939
Minimum lease payments under operating leases in respect of land and buildings		36,125	43,808
Employee benefit expense (including directors' remuneration):			
Salaries and wages		454,281	498,940
Staff welfare expenses		30,068	34,142
Equity-settled share option expense	16(a)	4,993	3,626
Awarded share expense		—	4,649
Pension scheme contributions (defined contribution scheme)#		42,364	45,247
		531,706	586,604
Exchange loss/(gain), net		54,798	(22,341)
Provision for product warranties		22,996	21,089
Write-down of inventories to net realizable value		85,388	14,319
Impairment of trade receivables		16,025	17,876
Loss/(gain) on disposal of items of property, plant and equipment		2,288	(438)

At 30 June 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (30 June 2014: Nil).

NOTES TO CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONT'D)

30 June 2015

7. FINANCE COSTS

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Interest on bank loans wholly repayable within 5 years	35,973	24,721

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. 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	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Current — charge for the period		
Hong Kong	91	711
Mainland China	44,294	43,705
Elsewhere	6,500	511
Deferred	21,704	(8,144)
Total tax charge for the period	72,589	36,783

Under the relevant income tax law, the subsidiaries in Mainland China are subject to corporate income tax at a statutory rate of 25% on their respective taxable income during the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30 June 2015

8. INCOME TAX (Cont'd)

Comba Telecom Technology (Guangzhou) Limited and Comba Telecom Systems (China) Limited were entitled to the preferential tax rate of 15% for the period ended 30 June 2015 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the period ended 30 June 2015.

9. DIVIDEND

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Proposed interim — HK1.5 cents (six months ended 30 June 2014: HK1.2 cents) per ordinary share	25,182	18,314

At the board meeting held on 20 August 2015, the Directors resolved to declare an interim dividend of HK1.5 cents per ordinary share for the six months ended 30 June 2015 (six months ended 30 June 2014: HK1.2 cents per ordinary share).

30 June 2015

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,840,702,000 (six months ended 30 June 2014 (restated): 1,836,089,000) in issue during the period, as adjusted to reflect bonus issue during the period.

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

The effects of share options were excluded from the calculation of diluted earnings per share for the six months ended 30 June 2014 as their effects would be anti-dilutive.

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

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Earnings		
Profit for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	108,803	72,305

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

	Number of shares For the six months ended 30 June	
	2015 (Unaudited)	2014 (Unaudited) (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	1,840,702,000	1,836,089,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	2,446,000	—
Awarded shares	—	2,599,000
	1,843,148,000	1,838,688,000

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11. INVENTORIES

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Raw materials	262,378	314,338
Project materials	230,291	254,902
Work in progress	72,740	62,204
Finished goods	508,498	529,510
Inventories on site	911,088	1,073,903
	1,984,995	2,234,857

12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable to over 1 year depending on the credit worthiness of customers. The balances also include retention money of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The credit terms for major customers are reviewed regularly by senior management. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances.

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12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES (Cont'd)

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 3 months	1,930,593	1,696,034
4 to 6 months	352,283	527,528
7 to 12 months	1,036,726	763,851
More than 1 year	1,666,962	1,506,590
	4,986,564	4,494,003
Provision for impairment	(104,688)	(100,197)
	4,881,876	4,393,806
Current portion	(4,878,331)	(4,381,627)
Long-term portion	3,545	12,179

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Neither past due nor impaired	3,323,145	2,999,593
Past due but not impaired	1,543,725	1,376,770
	4,866,870	4,376,363

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12. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES (Cont'd)

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 3 months	1,677,815	1,690,095
4 to 6 months	779,215	858,623
7 to 12 months	528,509	547,099
More than 1 year	261,486	327,053
	3,247,025	3,422,870

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

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14. INTEREST-BEARING BANK BORROWINGS

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Analyzed into:		
Within 1 year	691,905	972,635
In the 2nd to 3rd years, inclusive	969,193	678,389
	1,661,098	1,651,024

As at 30 June 2015, loans denominated in Hong Kong dollars, United States dollars and Renminbi amounted to HK\$377,200,000 (31 December 2014: HK\$251,200,000), HK\$1,125,185,000 (31 December 2014: HK\$1,125,120,000) and HK\$158,713,000 (31 December 2014: HK\$274,704,000), respectively.

The Group entered into a 3-year term loan facility agreement amounting to US\$200,000,000 on 15 June 2015 (the "2015 Facility Agreement") with certain financial institutions.

Under the 2015 Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling shareholder of the Company, and Mr. Zhang Yue Jun, who is the substantial shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 30% of the shares (of each class) of and equity interests in the Company free from any security. Pursuant to the 2015 Facility Agreement, either Mr. Fok Tung Ling or Mr. Zhang Yue Jun shall also maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. As at the date of approval of these condensed consolidated interim financial statements, such obligations have been complied with.

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14. INTEREST-BEARING BANK BORROWINGS (Cont'd)

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, were parties to the 2015 Facility Agreement acting as guarantors, to guarantee punctual performance of the obligations under the 2015 Facility Agreement.

As at 30 June 2015, the Group had utilized the amount of US\$125,000,000 (equivalent to HK\$969,193,000) under the 2015 Facility Agreement which is repayable in the 2nd to 3rd years, inclusive. The term loan bears interest at the rate of 3.5% per annum.

As at 30 June 2015, certain short-term loans amounting to HK\$155,992,000 (31 December 2014: HK\$155,992,000) were guaranteed by a letter of credit which was pledged by the Group's time deposits amounting to HK\$187,455,000 (31 December 2014: HK\$187,366,000). The bank loans bear interest at the rate of 2.5% (31 December 2014: 2.5%) per annum.

Other short-term bank loans bear interest at rates ranging from 1.6% to 6.6% (31 December 2014: from 1.9% to 6.6%) per annum.

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15. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2014, 31 December 2014, 1 January 2015 and 30 June 2015		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
At 1 January 2014		1,526,196,229	152,620
Bonus issue of shares	(i)	152,619,608	15,262
At 31 December 2014 and 1 January 2015		1,678,815,837	167,882
Exercise of share options	(ii)	1,992,250	199
Bonus issue of shares	(iii)	168,071,141	16,807
At 30 June 2015		1,848,879,228	184,888

As at 30 June 2015, the total number of issued ordinary shares of the Company was 1,848,879,228 shares (31 December 2014: 1,678,815,837 shares) which included 7,098,912 shares (31 December 2014: 6,453,557 shares) held under a share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 (the "Adoption Date") (note 16(b)).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30 June 2015

15. SHARE CAPITAL (Cont'd)

Notes:

- (i) Pursuant to the extraordinary general meeting held on 8 October 2014, a bonus issue of shares (the "2014 Bonus Issue") on the basis of 1 bonus share for every 10 existing shares held was approved. 152,619,608 bonus shares were issued under the 2014 Bonus Issue and the amount of approximately HK\$15,262,000 was capitalized from the Company's share premium account. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.
- (ii) During the period ended 30 June 2015, the subscription rights attaching to 1,992,250 share options were exercised at the adjusted exercise prices ranging from HK\$1.802 to HK\$1.982 per share, resulting in the issue of 1,992,250 shares of HK\$0.10 each for a total cash consideration, before expenses of HK\$3,932,000.
- (iii) Pursuant to the annual general meeting held on 3 June 2015, a bonus issue of shares (the "2015 Bonus Issue") on the basis of 1 bonus share for every 10 existing shares held was approved. 168,071,141 bonus shares were issued under the 2015 Bonus Issue and the amount of approximately HK\$16,807,000 was capitalized from the Company's share premium account. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

16. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

(a) Share Option Schemes

The Company operates a share option scheme adopted on 20 June 2003 (the "2003 Scheme") and had a term of 10 years. The 2003 Scheme was terminated and expired upon the adoption of a new share option scheme on 3 June 2013 (the "2013 Scheme", together with the 2003 Scheme are collectively referred to as the "Schemes") which, unless otherwise cancelled or amended in accordance with the terms therein, will remain in force for 10 years from its adoption date. All outstanding options under the 2003 Scheme will continue to be valid and exercisable in accordance with the provisions of the 2003 Scheme.

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

(a) Share Option Schemes (Cont'd)

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

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

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

(a) Share Option Schemes (Cont'd)

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

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

The exercise price of the share options granted under the Schemes is determinable by the directors, but shall not be less than the higher of: (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer of the share options; and (iii) the average closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 trading days immediately preceding the date of offer of the share options.

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

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

(a) Share Option Schemes (Cont'd)

The following share options were outstanding under the 2013 Scheme during the six months ended 30 June 2015:

	2015		2014	
	Weighted average exercise price of share options* HK\$ per share	Number of share options* '000	Weighted average exercise price of share options HK\$ per share	Number of share options '000
At 1 January	1.802	48,400	—	—
Exercised during the period	1.802	(2,182)	—	—
Lapsed during the period	1.802	(1,788)	—	—
Granted during the period	—	—	2,180	40,000
At 30 June	1.802	44,430	2,180	40,000

- * The weighted average exercise price of share options per share and the number of share options were adjusted as a result of the 2014 Bonus Issue and the 2015 Bonus Issue.

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

(a) Share Option Schemes (Cont'd)

The following share options were outstanding under the 2003 Scheme during the six months ended 30 June 2015:

	2015		2014	
	Weighted average exercise price of share options# HK\$ per share	Number of share options# '000	Weighted average exercise price of share options HK\$ per share	Number of share options '000
At 1 January	5.145	34,276	5.660	34,590
Expired during the period	5.145	(34,276)	—	—
Lapsed during the period	—	—	5.660	(1,390)
At 30 June	—	—	5.660	33,200

The weighted average exercise price of share options per share and the number of share options were adjusted as a result of the 2014 Bonus Issue.

No share options granted under the 2003 Scheme were exercised during the six months ended 30 June 2015.

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

(a) Share Option Schemes (Cont'd)

Movements in the number of the Company's share options under the Schemes during the six months ended 30 June 2015 are as follows:

Name or category of participant	Number of share options							Date of grant of share options ¹	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2015	Granted during the period	Adjusted during the period ²	Exercised during the period	Expired during the period	Lapsed during the period	At 30 June 2015			
Executive directors										
Mr. Fok Tung Ling	550,000	—	55,000	—	—	—	605,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³
Mr. Zhang Yue Jun	550,000	—	55,000	—	—	—	605,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³
Dr. Tong Chak Wai, Wilson	550,000	—	—	—	(550,000)	—	—	12 Jan 12	12 Jan 13 – 11 Jan 15	5.145
	1,980,000	—	198,000	—	—	—	2,178,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³
	2,530,000	—	198,000	—	(550,000)	—	2,178,000			
Mr. Yeung Pui Sang, Simon	550,000	—	—	—	(550,000)	—	—	12 Jan 12	12 Jan 13 – 11 Jan 15	5.145
	1,650,000	—	165,000	—	—	—	1,815,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³
	2,200,000	—	165,000	—	(550,000)	—	1,815,000			
Mr. Zhang Yuan Jian	550,000	—	—	—	(550,000)	—	—	12 Jan 12	12 Jan 13 – 11 Jan 15	5.145
	1,650,000	—	165,000	—	—	—	1,815,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³
	2,200,000	—	165,000	—	(550,000)	—	1,815,000			

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

(a) Share Option Schemes (Cont'd)

Name or category of participant	Number of share options							Date of grant of share options ¹⁾	Exercise period of share options	Exercise price of share options HK\$ per share
	At 1 January 2015	Granted during the period	Adjusted during the period ²⁾	Exercised during the period	Expired during the period	Lapsed during the period	At 30 June 2015			
Independent non-executive directors										
Mr. Liu Cai	110,000	—	—	—	(110,000)	—	—	12 Jan 12	12 Jan 13 – 11 Jan 15	5.145
	110,000	—	11,000	—	—	—	121,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³⁾
	220,000	—	11,000	—	(110,000)	—	121,000			
Mr. Lau Siu Ki, Kevin	110,000	—	—	—	(110,000)	—	—	12 Jan 12	12 Jan 13 – 11 Jan 15	5.145
	110,000	—	11,000	—	—	—	121,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³⁾
	220,000	—	11,000	—	(110,000)	—	121,000			
Dr. Lin Jin Tong	110,000	—	11,000	—	—	—	121,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³⁾
Mr. Qian Ting Shuo	110,000	—	11,000	—	—	—	121,000	11 Apr 14	11 Apr 15 – 10 Apr 19	1.802 ³⁾

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

(a) Share Option Schemes (Cont'd)

Name or category of participant	At 1 January 2015	Granted during the period	Number of share options				At 30 June 2015	Date of grant of share options**	Exercise period of share options	Exercise price of share options HK\$ per share
			Adjusted during the period†	Exercised during the period	Expired during the period	Lapsed during the period				
Other employees in aggregate	32,406,000	—	—	—	(32,406,000)	—	—	12 Jan 12 – 11 Jan 15	5.145	
	37,180,000	—	3,415,000	(1,992,000)	—	(1,675,000)	36,928,000	11 Apr 14 – 10 Apr 19	1.802#	
	69,586,000	—	3,415,000	(1,992,000)	(32,406,000)	(1,675,000)	36,928,000			
	78,276,000	—	4,097,000	(1,992,000)	(34,276,000)	(1,675,000)	44,430,000			

* The share options were adjusted as a result of the 2015 Bonus Issue. The number of ordinary shares of HK\$0.10 each in the share capital of the Company to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 40,971,250 share options granted under the 2013 Scheme was adjusted to 45,068,375 ordinary shares of HK\$0.10 each.

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

The exercise price of share options per share was adjusted as a result of the 2014 Bonus Issue and the 2015 Bonus Issue.

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

(a) Share Option Schemes (Cont'd)

The exercise price and exercise period of the share options outstanding under the Schemes as at the end of the reporting period are as follows:

30 June 2015 Number of share options [^] '000	Exercise price of share options [^] HK\$ per share	Exercise period
44,430	1.802	11 April 2015 to 10 April 2019

30 June 2014 Number of share options '000	Exercise price of share options HK\$ per share	Exercise period
33,200	5.660	12 January 2013 to 11 January 2015
40,000	2.180	11 April 2015 to 10 April 2019
73,200		

[^] The exercise price of the share options per share and the number of share options were adjusted as a result of the 2014 Bonus Issue and the 2015 Bonus Issue.

The expense recognized in the condensed consolidated statement of profit or loss for employee services received during the six months ended 30 June 2015 is approximately HK\$4,993,000 (six months ended 30 June 2014: HK\$3,626,000).

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

(a) Share Option Schemes (Cont'd)

At the end of the reporting period, the Company had 44,430,125 share options outstanding under the 2013 Scheme, of which 9,500,450 were vested and 34,929,675 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,430,125 additional ordinary shares of the Company and additional share capital of HK\$4,443,000 and share premium of HK\$75,620,000 (before issue expenses).

At the date of approval of these condensed consolidated interim financial statements, the Company had 44,244,775 share options outstanding under the Schemes, which represented approximately 2.39% of the Company's shares in issue as at that date.

According to the scheme limit of the 2013 Scheme as refreshed at the annual general meeting held on 3 June 2015, the Company may further grant 168,071,158 share options (being 10% of the total number of issued shares of the Company as at the aforesaid date). Since no share option was granted under the refreshed limit, the total number of unissued share options under the scheme limit remained at 168,071,158, representing approximately 9.09% of the Company's shares in issue as at 30 June 2015.

(b) Share Award Scheme

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

Unless it is early terminated by the Board in accordance with the terms therein, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

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

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

(b) Share Award Scheme (Cont'd)

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

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

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

(b) Share Award Scheme (Cont'd)

Movements in the number of treasury shares held for the Share Award Scheme and Awarded Shares held for the Selected Persons for the six months ended 30 June 2014 and 2015 are as follows:

	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2015	6,453,557	—
Bonus issue of shares	645,355	—
At 30 June 2015	7,098,912	—

	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2014	5,404,190	5,631,510
Lapsed and returned to the Share Award Scheme	462,680	(462,680)
Vested to the Selected Persons	—	(5,168,830)
At 30 June 2014	5,866,870	—

No Awarded Shares were outstanding as at 30 June 2015. All Awarded Shares were transferred at no cost to the Selected Persons.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30 June 2015

17. RESERVES

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

18. CONTINGENT LIABILITIES

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

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Guarantees given to banks in respect of performance bonds	158,833	127,648

19. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms mainly ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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19. OPERATING LEASE ARRANGEMENTS (Cont'd)

(a) As lessor (Cont'd)

As at 30 June 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 year	4,838	4,620
In the 2nd to 5th years, inclusive	11,536	12,870
After 5 years	795	976
	17,169	18,466

(b) As lessee

The Group leases certain of its office premises, warehouses, motor vehicles and staff dormitories under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 6 years.

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Within 1 year	44,976	42,305
In the 2nd to 5th years, inclusive	27,608	37,199
After 5 years	1,160	1,760
	73,744	81,264

30 June 2015

20. COMMITMENTS

In addition to the operating lease commitments detailed in note 19(b) above, the Group had the following capital commitments for the buildings and the procurement of production facilities at the end of the reporting period:

	30 June 2015 (Unaudited) HK\$'000	31 December 2014 (Audited) HK\$'000
Contracted, but not provided for:		
Buildings	—	1,974
Plant and machinery	1,576	6,001
	1,576	7,975

At 30 June 2015, the Group had uncontributed registered capital commitments of RMB22,000,000 (equivalent to HK\$27,720,000) (31 December 2014: Nil) under a joint venture agreement entered on 22 June 2015 to invest in an associated company in Mainland China in which the Group holds 20% interest.

21. RELATED PARTY TRANSACTIONS

- (a) The Group had no significant transactions with related parties during the period and had no significant outstanding balances with related parties as at the end of the reporting period.

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21. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Short-term employee benefits	5,368	4,396
Pension scheme contributions	123	136
Awarded share expense	—	546
Equity-settled share option expense	903	616
	6,394	5,694

22. EVENT AFTER THE REPORTING PERIOD

On 20 August 2015, the Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and bonus shares will be allotted, issued and dispatched to the shareholders of the Company on the basis of 1 bonus share for every 10 existing ordinary shares held by the shareholders whose names are shown on the register of members of the Company on 19 October 2015, being the record date for determination of entitlements to the bonus shares. Based on the total of 1,848,879,228 shares in issue as at 30 June 2015 and assuming no further shares will be issued or purchased before 19 October 2015, approximately 184,887,922 bonus shares will be issued by the Company. The share capital of the Company will increase from approximately HK\$184,888,000 to approximately HK\$203,377,000 upon completion of the bonus issue. The amount of approximately HK\$18,489,000 will be capitalized from the Company's share premium account.

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22. EVENT AFTER THE REPORTING PERIOD (Cont'd)

The bonus issue and the increase in the Company's share capital will be subject to, among others, shareholders' approval at the forthcoming extraordinary general meeting of the Company and the grant of listing approval by the Stock Exchange on the bonus shares.

23. COMPARATIVE AMOUNTS

During the period, certain comparative amounts have been adjusted to conform with the current period's presentation.

24. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 20 August 2015.

By order of the Board
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman

Hong Kong, 20 August 2015

Comba

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