

# Comba

京信通信系統控股有限公司  
Comba Telecom Systems Holdings Limited  
股份代號 Stock Code : 2342

Persistent  
繼往開來

Focus  
凝心聚力

Innovation  
創新發展

Brilliant  
再創輝煌



2022 INTERIM REPORT  
中期報告

# CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
23	Interim Consolidated Statement of Profit or Loss
24	Interim Consolidated Statement of Comprehensive Income
25	Interim Consolidated Statement of Financial Position
27	Interim Consolidated Statement of Changes in Equity
29	Interim Consolidated Statement of Cash Flows
32	Notes to Interim Condensed Consolidated Financial Statements



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Fok Tung Ling (*Chairman*)

Zhang Yue Jun (*Vice Chairman*)

Xu Huijun (*President*)

Chang Fei Fu

Bu Binlong

Huo Xinru

### NON-EXECUTIVE DIRECTOR

Wu Tielong

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Siu Ki, Kevin

Lin Jin Tong

Ng Yi Kum

Wong Lok Lam

## COMPANY SECRETARY

Chan Siu Man

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin (*Chairman*)

Lin Jin Tong

Ng Yi Kum

Wong Lok Lam

## NOMINATION COMMITTEE

Lin Jin Tong (*Chairman*)

Lau Siu Ki, Kevin

Ng Yi Kum

Wong Lok Lam

## AUTHORIZED REPRESENTATIVES

Fok Tung Ling

Chang Fei Fu

## 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

Unit 611

Building 8W

Hong Kong Science Park

Pak Shek Kok

New Territories

Hong Kong

(Change of building name with effect from 4 September 2022)

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204 Unit 2A Block 3

Building D, P.O. Box 1586

Gardenia Court Camana Bay

Grand Cayman KY1-1100

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

Entering 2022, the macro environment remained uncertain. Nonetheless, various countries across the globe continued to steadily advance in digital technology. In particular, the new infrastructure strategy adopted by the Chinese government encouraged major domestic telecom operators to continue developing 5G network capital projects. Moreover, a number of countries and regions have constructed 5G networks in an orderly manner and are committed to intensive development. This expanding of information infrastructure has laid a solid foundation for a booming digital economy. Riding on this, Comba Telecom Systems Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) has recorded a significant increase in the revenue for the results in the first half of 2022, thereby achieving a turnaround from loss to profit.

## REVENUE

The Group reported interim revenue of HK\$3,042,518,000 (2021: HK\$2,418,128,000) for the six months ended 30 June 2022 (the “Current Period”), representing a 25.8% increase compared to the six months ended 30 June 2021 (the “Prior Period”). The increase in revenue was mainly attributed to the Group’s successful tender for centralized procurement of antenna – related products for China’s three major telecom operators in the second half of 2021 and a substantial increase in orders for base station – related antenna products compared to the Prior Period, which reported a record-high result.

## BY CUSTOMERS

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the “China Mobile Group”) increased by 116.4% over the Prior Period to HK\$846,311,000 (2021: HK\$391,022,000), accounting for 27.8% of the Group’s revenue in the Current Period, compared to 16.2% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries increased by 106.7% over the Prior Period to HK\$400,966,000 (2021: HK\$194,024,000), accounting for 13.2% of the Group’s revenue in the Current Period, compared to 8.0% in the Prior Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue generated from China Telecommunications Corporation and its subsidiaries decreased by 20.4% over the Prior Period to HK\$208,370,000 (2021: HK\$261,793,000), accounting for 6.8% of the Group's revenue in the Current Period, compared to 10.8% in the Prior Period.

Revenue generated from China Tower Corporation Limited decreased by 24.8% over the Prior Period to HK\$161,841,000 (2021: HK\$215,157,000), accounting for 5.3% of the Group's revenue in the Current Period, compared to 8.9% in the Prior Period.

During the Current Period, revenue from other customers in Mainland China decreased by 8.1% over the Prior Period to HK\$313,697,000 (2021: HK\$341,435,000) and represented 10.3% (2021: 14.1%) of the Group's revenue.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 11.4% over the Prior Period to HK\$1,015,799,000 (2021: HK\$911,715,000), accounting for 33.4% of the Group's revenue in the Current Period, compared to 37.7% in the Prior Period. This increase was mainly due to expanding the overseas business by the Group during the Current Period and achieving satisfactory sales for its base station antenna products in particular.

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 7.2% over the Prior Period to HK\$95,533,000 (2021: HK\$102,982,000), accounting for 3.1% of the Group's revenue in the Current Period (2021: 4.3%). This decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 22.2% during the Current Period.

### BY BUSINESSES

During the Current Period, revenue from base station antennas and subsystems business increased by 123.5% over the Prior Period to HK\$1,615,546,000 (2021: HK\$722,931,000), accounting for 53.1% (2021: 29.9%) of the Group's revenue in the Current Period. This significant increase in revenue was mainly due to the Group winning the centralized procurement projects for 5G antenna products from major PRC telecom operators since the second half of 2021 and completing the phased launch and delivery of these projects on schedule.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, decreased by 26.8% over the Prior Period to HK\$491,910,000 (2021: HK\$671,699,000), accounting for 16.2% (2021: 27.8%) of the Group's revenue in the Current Period. This decline in revenue was mainly due to delay in the launch and implementation of centralized procurement projects for 5G extended small cells by major Mainland China telecom operators arising from the novel coronavirus disease ("COVID-19") pandemic. The management expects that with the centralized procurement of related projects commencing and delivering in the second half of the year, its network system product business will thrive in the future.

During the Current Period, revenue from services decreased by 9.8% over the Prior Period to HK\$706,502,000 (2021: HK\$782,882,000), accounting for 23.2% (2021: 32.4%) of the Group's revenue. This decrease in revenue was mainly due to the Group investing resources in projects with a higher gross profit margin in line with its strategy to focus on high-quality construction projects.

During the Current Period, revenue from other businesses (including wireless transmission) decreased by 3.3% over the Prior Period to HK\$133,027,000 (2021: HK\$137,634,000), accounting for 4.4% (2021: 5.6%) of the Group's revenue. Among them, revenue from the wireless transmission business decreased by 2.5% to HK\$132,983,000 (2021: HK\$136,384,000).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### GROSS PROFIT

During the Current Period, the Group's gross profit increased by 24.4% to HK\$847,126,000 (2021: HK\$680,986,000) as compared with the Prior Period. The gross profit margin of the Group was 27.8% in the Current Period (2021: 28.2%), down slightly by 0.4 percentage points as compared with the Prior Period. During the Current Period, the gross profit margin of the Group's core products remained stable. The slight decrease in gross profit margin during the Current Period was mainly due to the undertaking of certain construction projects with lower gross profit but with sound cash flows by the service business segment. In order to enhance the overall gross profit margin, the Group will continue to optimize the product portfolio, improve production efficiency and strengthen the cost control of service engineering projects.

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

During the Current Period, R&D expenses increased by 1.1% over the Prior Period to HK\$259,477,000 (2021: HK\$256,763,000), representing 8.5% (2021: 10.6%) of the Group's revenue. As 5G technology enters the in-depth stage of development, it is creating opportunities for new applications and models. To enhance the competitiveness of its new 5G products, the Group invested resources in relevant R&D activities and embraced continuous innovation to capture business opportunities arising from the digitalization of the mobile telecommunications industry.

Through its strong commitment to R&D, the Group has made significant advances in creating its own solutions with proprietary intellectual property, applying for approximately 5,500 patents by the end of the Current Period (31 December 2021: approximately 5,400 patents).

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

During the Current Period, S&D expenses increased by 12.5% over the Prior Period to HK\$265,088,000 (2021: HK\$235,734,000), representing 8.7% (2021: 9.7%) of the Group's revenue. During the Current Period, this increase was mainly due to the expanding of the Group's business which led to an increase in related expenses such as the transportation and distribution expenses. However, the proportion of S&D expenses within the Group's revenue improved compared with the Prior Period. This was mainly due to the Group's strategy of upgrading its business expansion to focus on more profitable projects, thereby making its investment in resources more cost-effective.

### ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses decreased by 0.8% over the Prior Period to HK\$214,880,000 (2021: HK\$216,705,000), accounting for 7.1% (2021: 9.0%) of the Group's revenue. The Group is committed to optimizing its management and organizational structure, thereby enhancing operational efficiency.

### FINANCE COSTS

During the Current Period, finance costs increased slightly by 1.1% to HK\$21,653,000 (2021: HK\$21,425,000) as compared with the Prior Period, representing 0.7% (2021: 0.9%) of the Group's revenue. The flat-off of these finance costs were mainly due to the Group further optimizing its loan portfolio during the Current Period.

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

The management has also leveraged the difference between the interest and foreign exchange rates among different countries to minimize finance costs. As of 30 June 2022, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 14.3% compared with 12.5% as of 31 December 2021.

### OTHER EXPENSES

During the Current Period, other expenses decreased by 22.0% over the Prior Period to HK\$87,574,000 (2021: HK\$112,307,000), representing 2.9% (2021: 4.6%) of the Group's revenue. This was mainly due to the turnaround from loss to gain on fair value change of redeemable preferred shares in a subsidiary of the Group during the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### TAX

During the Current Period, the Group's overall taxation charge of HK\$23,331,000 (2021: HK\$26,943,000) comprised an income tax expense of HK\$24,895,000 (2021: HK\$21,076,000) and a deferred tax credit of HK\$1,564,000 (2021: deferred tax charge of HK\$5,867,000). This decrease in the overall tax charge was due to the increase in the Group's deferred tax credit during the Current Period.

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

### NET PROFIT/LOSS

In summary, due to the significant increases in revenue and gross profit of the Group for the Current Period, as well as the reduction in the operating expenses ratio resulting from effective cost and expenses control measures implemented by the Group, overall efficiency has substantially increased. During the Current Period, the profit attributable to owners of the parent of the Group was HK\$90,384,000 (2021: loss attributable to owners of the parent of the Group of HK\$89,360,000).

### DIVIDEND

Given the Group's operating results in the Current Period and considering its long-term future development and the interests of the shareholders (the "Shareholders") of the Company, particularly those of minority Shareholders, the board (the "Board") of directors (the "Director(s)") of the Company proposes the payment of an interim dividend for the Current Period of HK\$1.0 cent per ordinary share (the "Share(s)") of the Company (2021: nil). The total dividend payout ratio, on the basis of basic earnings per Share, is 30.8% (2021: N/A).

### PROSPECTS

The Group believes that 5G technology can empower both consumer terminals, and also vertical industries through the 5G key technology, which is characterised by full coverage, low latency, and high capacity and reliability, thereby adding fresh momentum to the digital transformation of different businesses and industries. Looking ahead, as more countries and regions continue to promote the 5G construction and develop wider indoor coverage and penetrate multiple commercial uses, the Group will seize opportunities arising from operators constructing indoor 5G networks to promote the development of integration with vertical industries to the next level.

### PRODUCTS AND SOLUTIONS BASE STATION ANTENNA AND SUBSYSTEMS

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

As a low- to mid-frequency collaborative networking is applied in the 5G wireless network, and co-constructing and sharing of antenna location spaces are required, it has raised the bar for antenna. With the technology evolving towards multi-frequency and multi-mode, integration becoming smaller and lighter, the Group has continued to explore and develop base station antenna solutions for different 5G applications, which formed six major product categories such as active 5G Massive MIMO antennas, the 4G/5G convergent antenna product series, FDD ultra-multi-port multi-system shared antennas, and "A+P" integrated convergent antenna. In particular, the main 4G/5G (8TR) convergent antenna has become a mainstream demand for operators worldwide in the construction of 5G networks.

Operators around the world have paid great attention to the concepts of low-carbon and environmental protection. Given the pressing demands for low-cost and high-efficiency network construction, the Group has launched the "green and innovative antenna and subsystem solution" with lower loss rates and higher efficiency by promoting innovation in terms of design, materials and manufacturing processes. Operators should conserve around 18 million kWh of electricity annually per 10 thousand of base stations, representing an 18,000-tonne reduction in carbon emissions. The Group expects that energy-saving and low-carbon products with low consumption will gradually become mainstream.

Adhering to the "scenario-based coverage" principle, the Group also introduced its "innovative antenna solutions for broad indoor coverage" and "innovative antenna and subsystem solution for 5G rail transit coverage". The Group has recently launched the "innovative antenna and subsystem solution for 5G sea routes coverage". The abovementioned products have commenced large-scale commercial application or commercial trials, which will contribute to the growth of the Group's result.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### NETWORK PRODUCT SYSTEM SOLUTIONS

Comba Network Systems Company Limited (“Comba Network”), an indirect subsidiary of the Company, principally engages in the manufacture and sales of wireless telecommunications network system equipment and provision of related engineering services. It currently focuses on R&D activities and the manufacture and sales of network system products including macro cells, small cells, extended & in-depth coverage solutions and Open RAN products as well as providing network solutions for 5G vertical industry.

As a pioneer in small cells, Comba Network offers fully-independent R&D capabilities in software and hardware that meet internationally-agreed specifications for 4G/5G network access. Comba Network’s diverse product range covers every application for high-power cells, micro cells, pico cells and femto cells for mobile telecommunication. Offering comprehensive coverage in cities and wide coverage in rural areas, it provides highly-cost efficient solutions. 5G small cell products have commenced commercial trials in more than ten provinces. The value and advantages of our rapid and high-efficiency 5G network construction are well recognized by customers. In August 2022, the Group achieved a satisfactory result in the centralized procurement of 5G extended small cells for the China Mobile Group. In addition, the Group will actively participate in centralized procurement of small cells in the future.

In the area of Open RAN, drawing on years of experience in the design, development and deployment of radio frequency-related products for mobile telecommunications, Comba Network launched its standardized, platform-based high-powered remote radio unit (Open RAN RRU) product series that support advanced technologies such as multi-carrier and multi-mode, high efficiency and high capacity. This product series adopts ORAN Alliance’s standard fronthaul interface and thereby fulfils inter-connection and compatibility with the globally advanced manufacturers of base-band. Furthermore, Comba Network has entered into strategic partnerships with the industry’s leading integrators. During the Current Period, Comba Network launched the industry’s first multi-mode Open RAN RRU which adopts dual-frequency and tri-frequency designs, thereby maintaining its technological lead in the industry. ORAN has introduced a highly-efficient technical structure comprising general-purpose processing hardware as well as decoupling technology for software and hardware, which provides a more open application for commercial use and satisfies the demands of operators for construction of new network and maintenance of the existing networks in the era of 4G/5G co-existence, thereby providing great market potential.

In respect of 5G vertical industries, Comba Network developed FLeX5, an intelligent computing platform that fully connects with “5G network + broad internet of things + MEP + AI” engines, to provide fundamental network and platform solutions that meet the target industries’ specific needs and applications. The goal is to provide customers with integrated smart solutions, promote the application of 5G and implement 5G in vertical industries such as the industrial, mining, energy, medical and education sectors, and empower smart upgrades within the industry.

### MARKET EXPANSION OPERATOR BUSINESS IN MAINLAND CHINA

The three domestic major operators in Mainland China will continue to make deployment for low- and medium-band network construction in respect of 5G macro cells in an effort to promote sustainable development with multiple spectrums and modes through co-construction and sharing, hence raising the technological entry barrier of its products on a continuous basis. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of the operators, the Group innovatively proposed the low-loss high-efficiency green antenna and integrated high-power cell remote coverage solution, and achieved major technological breakthroughs and completed the product development through its R&D investments. Leveraging its leading product competitiveness and comprehensive strengths in services, the Group has successively won the bid for antenna product projects from certain major telecom operators in Mainland China and secured considerable market shares since the second half of 2021. The Group is also actively planning for centralized procurement bidding for antenna products in the next few years.

In respect of broad indoor coverage, large-scale construction projects have been launched by domestic operators successively. With the momentum of upsurge in the number of construction projects in 2022, it is believed that the total number of projects will grow at a faster pace in 2023. Both the Group’s active indoor coverage network and equipment products and passive indoor coverage antenna and subsystem products achieved satisfactory results in the centralized procurement projects. The Group will continue to give full rein to its technological R&D strengths which were developed over many years. It will also continue to provide its customers with comprehensive support for their indoor coverage business.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### INTERNATIONAL BUSINESS

The Group's international marketing platform is expanding into overseas markets by actively exploring customer needs, developing target markets, creating new products and maintaining the competitiveness of its products. The Group achieved satisfactory results in its international business during the year by capitalizing on its comprehensive strengths in products and technology. The Group will continue to partner with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions. Aside from offering advanced 5G application solutions to customers globally, it will tap into the massive demand for 4G network construction in various countries and regions with unbalanced network development, thereby strengthening its global market position. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and conduct joint product R&D to grow its Open RAN business.

### NEW BUSINESS

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

### CONCLUSION

The Group will continue to focus on the wireless communication sector and collaborate with business partners in upstream and downstream ecosystems in the industry to jointly promote 5G integration and applications. While actively developing new 5G technologies, the Group will conduct research into advanced technologies and innovative products in the post-5G era to further develop the digital economy and create value for 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 2022, the Group had net current assets of HK\$2,139,910,000. The current assets of the Group as at 30 June 2022 comprised inventories of HK\$1,388,045,000, trade receivables of HK\$4,126,289,000, notes receivable of HK\$169,780,000, prepayments, other receivables and other assets of HK\$498,643,000, financial assets designated at fair value through profit or loss of HK\$2,291,000, restricted bank deposits of HK\$115,428,000, time deposits of HK\$117,099,000 and cash and cash equivalents of HK\$1,698,979,000. The current liabilities of the Group as at 30 June 2022 comprised trade and bills payables of HK\$4,372,787,000, other payables and accruals of HK\$596,420,000, interest-bearing bank borrowings of HK\$851,802,000, tax payable of HK\$82,228,000 and provision for product warranties of HK\$73,407,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 248 days compared to 312 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted with longer credit term. The balances also include retention money, which is for assurance that the product and service comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Period was 371 days compared to 419 days for the Prior Period. The average inventory turnover for the Current Period was 114 days compared to 141 days for the Prior Period.

As at 30 June 2022, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United State dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group had also entered into 3-year term loan facility agreements with certain financial institutions during the Current Period. Details of the Group's bank borrowings are set out in note 14 to these interim condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United State dollars. As at 30 June 2022, the Group has outstanding non-deliverable foreign currency option contracts in respect of Renminbi, Indian Rupee and Thai Baht with notional amount of RMB175,000,000, US\$8,000,000 and nil respectively (31 December 2021: RMB175,000,000, US\$10,000,000 and US\$4,000,000 respectively).

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

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 14.3% as at 30 June 2022 (31 December 2021: 12.5%).

In spite of the global outbreak of the COVID-19 pandemic, the Group's financial position remains sound with sufficient working capital.

## MATERIAL ACQUISITIONS AND DISPOSALS

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

## USE OF PROCEEDS

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

The net proceeds from the Placing and the Subscription as disclosed in the announcements of the Company dated 23 April 2020, 24 April 2020, 28 April 2020 and 8 May 2020 were approximately HK\$686,235,000 (after deducting the related costs and expenses) and the net subscription price of each Share was approximately HK\$2.98 (after deducting the related costs and expenses). As at 30 June 2022, details of the amount of the utilized and unutilized said net proceeds are set out as follows:

Net proceeds raised HK\$'000	Intended use of the net proceeds	Amounts	Amounts	Amounts	Expected timeline for utilizing the residual amount of net proceeds*
		utilized as at 31 December 2021 HK\$'000	utilized during the Current Period HK\$'000	unutilized as at 30 June 2022 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	205,272	58,882	251,236	by 30 June 2023
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	66,019	10,597	94,229	by 30 June 2023
686,235		271,291	69,479	345,465	

\* 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### RESTRICTED BANK DEPOSITS

Deposit balances of HK\$145,985,000 (31 December 2021: HK\$134,095,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

### CONTINGENT LIABILITIES

As at 30 June 2022, the Group had contingent liabilities of HK\$283,080,000 (31 December 2021: HK\$276,836,000), which mainly included guarantees given to banks in respect of performance bonds.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had approximately 5,400 staffs, out of which 1,300 staffs were from ETL (31 December 2021: 5,500 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development cost, for the Current Period were HK\$527,185,000 (30 June 2021: HK\$478,330,000). 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 option scheme, share award scheme and share incentive scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

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

As at 24 March 2022, being the date of the annual report of the Company for the year ended 31 December 2021, the total number of securities available for issue under the share option scheme (the "Share Option Scheme") of the Company adopted on 3 June 2013 was 271,449,986 Shares, which represented approximately 9.77% of the Company's issued share capital as at that date.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As at the date of this interim report, the total number of securities available for issue under the Share Option Scheme was 271,014,986 Shares, representing approximately 9.75% of the Company's issued share capital.

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

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

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules, were as follows:

*Long positions in ordinary Shares:*

Name of Directors	Notes	Number of ordinary Shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Approximately)
		Directly beneficially owned	Through controlled corporation	Total	
Mr. Fok Tung Ling ("Mr. Fok")	(a)	10,364,339	678,115,129	688,479,468	24.769
Mr. Zhang Yue Jun	(b)	-	228,225,410	228,225,410	8.210
Mr. Xu Huijun ("Mr. Xu")		11,000,000	-	11,000,000	0.395
Mr. Chang Fei Fu		1,000,000	-	1,000,000	0.035
Mr. Bu Binlong ("Mr. Bu")		3,350,084	-	3,350,084	0.120
Mr. Wu Tielong ("Mr. Wu")		2,342,049	-	2,342,049	0.084
Mr. Lau Siu Ki, Kevin ("Mr. Lau")		260,000	-	260,000	0.009

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

*Long positions in share options of the Company:*

<b>Name of Directors</b>	<b>Number of share options directly beneficially owned</b>
Mr. Xu	19,000,000
Mr. Chang Fei Fu	7,500,000
Mr. Bu	8,800,000
Ms. Huo Xinru ("Ms. Huo")	8,050,000
Mr. Wu	6,800,000
Mr. Lau	250,000
Dr. Lin Jin Tong ("Dr. Lin")	400,000
Ms. Ng Yi Kum ("Ms. Ng")	200,000

Notes:

- (a) These 678,115,129 Shares are beneficially owned by Prime Choice Investments Limited, which is wholly owned by Mr. Fok. As such, Mr. Fok is deemed or taken to be interested in the 678,115,129 Shares owned by Prime Choice Investments Limited under the SFO.
- (b) These 228,225,410 Shares are beneficially owned by Wise Logic Investments Limited, which is wholly owned by Mr. Zhang Yue Jun. As such, Mr. Zhang Yue Jun is deemed or taken to be interested in the 228,225,410 Shares owned by Wise Logic Investments Limited under the SFO.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo beneficially holding approximately 20.96%, 10.06%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), and Mr. Wu beneficially holding approximately 17.68% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), both of which are subsidiaries of the Company, as at 30 June 2022, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

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

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

As at 30 June 2022, the following substantial Shareholders (other than a Director or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as follows:

*Long positions:*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investments Limited		Beneficial owner	678,115,129	24.396
Madam Chen Jing Na	(a)	Interest of spouse	688,479,468	24.769
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.210
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.210

Notes:

- (a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 688,479,468 Shares in which Mr. Fok is interested or deemed to be interested under the SFO.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

- (b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 Shares in which Mr. Zhang Yue Jun is interested or deemed to be interested under the SFO.

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

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

Save as disclosed above, as at 30 June 2022, 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 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 CODE PROVISIONS

The Board reviewed daily governance of the Company from time to time in accordance with the code provisions (the “Code Provisions”) as set out in Part 2 of Appendix 14 of the Listing Rules and considered that, during the Current Period, the Company has complied with all Code Provisions.

### DIRECTORS’ SECURITIES TRANSACTIONS

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### CHANGE IN PARTICULARS OF THE DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, change of Director's particulars since the publication of the Company's 2021 Annual Report is set out below:

- (a) Dr. Lin, an independent non-executive Director, is a director of Jiangsu Zhongtian Technology Co., Ltd. as disclosed in the Company's 2021 Annual Report. Dr. Lin has retired as the director of Jiangsu Zhongtian Technology Co., Ltd. on 15 June 2022; and
- (b) Ms. Ng, an independent non-executive Director, is an independent non-executive director of CT Vision S.L. (International) Holdings Limited as disclosed in the Company's 2021 Annual Report. On 30 June 2022, being the date of holding the annual general meeting of CT Vision S.L. (International) Holdings Limited, Ms. Ng did not offer herself for re-election and has retired as the independent non-executive director with effect from the conclusion of the aforesaid annual general meeting.

### AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company, 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 these interim condensed consolidated financial statements for the Current Period. The Audit Committee has given its consent to the accounting principles, standards and practices adopted by the Company for these interim condensed consolidated financial statements for the Current Period and has no disagreement.

# for identification purpose

# INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>REVENUE</b>	5	<b>3,042,518</b>	2,418,128
Cost of sales		<b>(2,195,392)</b>	(1,737,142)
Gross profit		<b>847,126</b>	680,986
Other income and gains	5	<b>81,611</b>	67,984
Research and development expenses		<b>(259,477)</b>	(256,763)
Selling and distribution expenses		<b>(265,088)</b>	(235,734)
Administrative expenses		<b>(214,880)</b>	(216,705)
Other expenses		<b>(87,574)</b>	(112,307)
Finance costs	7	<b>(21,653)</b>	(21,425)
Share of profit of a joint venture		<b>1,991</b>	4,907
<b>PROFIT/(LOSS) BEFORE TAX</b>	6	<b>82,056</b>	(89,057)
Income tax expense	8	<b>(23,331)</b>	(26,943)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>58,725</b>	(116,000)
Attributable to:			
Owners of the parent		<b>90,384</b>	(89,360)
Non-controlling interests		<b>(31,659)</b>	(26,640)
		<b>58,725</b>	(116,000)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<b>HK3.25 cents</b>	HK(3.26) cents
Diluted		<b>HK3.25 cents</b>	HK(3.26) cents

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>58,725</b>	(116,000)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(204,762)	80,085
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(204,762)	80,085
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	(1,919)	10,866
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(1,919)	10,866
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(206,681)</b>	90,951
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(147,956)</b>	(25,049)
Attributable to:		
Owners of the parent	(15,390)	536
Non-controlling interests	(132,566)	(25,585)
	<b>(147,956)</b>	(25,049)

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,222,201	1,347,683
Right-of-use assets		201,838	216,989
Goodwill		242,773	242,773
Deferred tax assets		212,989	225,614
Intangible assets		750,116	806,267
Equity investments designated at fair value through other comprehensive income		57,527	62,813
Equity investments designated at fair value through profit or loss		93,443	90,534
Restricted bank deposits		30,557	26,195
Time deposits		363,007	257,405
Investment in a joint venture		17,656	18,354
<b>Total non-current assets</b>		<b>3,192,107</b>	<b>3,294,627</b>
<b>CURRENT ASSETS</b>			
Inventories	11	1,388,045	1,356,335
Trade receivables	12	4,126,289	4,129,136
Notes receivable		169,780	97,109
Prepayments, other receivables and other assets		498,643	626,994
Financial assets designated at fair value through profit or loss		2,291	3,102
Restricted bank deposits		115,428	107,900
Time deposits		117,099	245,148
Cash and cash equivalents		1,698,979	1,652,228
<b>Total current assets</b>		<b>8,116,554</b>	<b>8,217,952</b>

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	4,372,787	4,544,849
Other payables and accruals		596,420	623,223
Interest-bearing bank borrowings	14	851,802	644,739
Tax payable		82,228	73,527
Provision for product warranties		73,407	75,290
Total current liabilities		5,976,644	5,961,628
<b>NET CURRENT ASSETS</b>			
		2,139,910	2,256,324
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		5,332,017	5,550,951
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	14	760,000	800,000
Deferred tax liabilities		158,687	164,063
Lease liabilities		44,727	60,300
Redeemable preferred shares in a subsidiary		325,657	342,771
Total non-current liabilities		1,289,071	1,367,134
<b>Net assets</b>			
		4,042,946	4,183,817
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	277,955	277,892
Treasury shares		(22,818)	(22,818)
Reserves	17	3,529,620	3,519,642
		3,784,757	3,774,716
<b>Non-controlling interests</b>			
		258,189	409,101
Total equity		4,042,946	4,183,817

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent										Total equity interests HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000		Total equity interests HK\$'000	
At 1 January 2021	275,040	(22,818)	1,437,024	667,377	45,480	35,624	211,071	85,325	10,025	1,963,365	4,106,913	443,121	4,550,034
Loss for the period	-	-	-	-	-	-	-	-	-	(81,360)	(81,360)	(26,640)	(116,000)
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	10,866	-	-	10,866	-	10,866
Exchange differences related to foreign operations	-	-	-	-	-	-	-	79,030	-	-	79,030	1,055	80,085
Total comprehensive loss for the period	-	-	-	-	-	-	-	79,030	10,866	(81,360)	536	(25,565)	(25,049)
Share option scheme													
- value of services	-	-	11,481	-	-	-	-	-	-	-	11,481	-	11,481
- exercise of share options	733	-	(12,012)	(3,596)	-	-	-	-	-	-	9,149	-	9,149
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(1,084)	-	-	-	-	-	1,084	-	-	-
Share incentive scheme													
- value of services	-	-	-	121,150	-	-	-	-	-	-	121,150	-	121,150
Capital contribution from non-controlling interests												39,810	39,810
Transfer to/from retained profits						(1,805)				1,805			
At 30 June 2021 (unaudited)	275,793	(22,818)	1,449,036	857,088	45,480	33,819	211,071	164,355	20,891	1,876,884	4,140,229	457,346	4,597,575

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

For the six months ended 30 June 2022

Notes	Attributable to owners of the parent										Total equity HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000		Total HK\$'000	Non-controlling interests HK\$'000
At 1 January 2022	277,892	(22,818)	1,484,138*	101,498*	45,480*	68,396*	211,071*	205,544*	26,985*	1,376,530*	3,774,716	409,101	4,183,817
Profit for the period	-	-	-	-	-	-	-	-	-	90,384	90,384	(31,659)	58,725
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	(1,919)	-	(1,919)	-	(1,919)
Exchange differences related to foreign operations	-	-	-	-	-	-	(103,855)	(103,855)	-	-	(103,855)	(100,907)	(204,762)
Total comprehensive loss for the period	-	-	-	-	-	-	(103,855)	(103,855)	(1,919)	90,384	(15,390)	(132,566)	(147,956)
Share option scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	63	-	996	10,088	-	-	-	-	-	-	10,088	-	10,088
- exercise of share options	-	-	-	(290)	-	-	-	-	-	-	-	-	-
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(42)	-	-	-	-	-	42	-	-	-
Share incentive scheme	-	-	-	14,574	-	-	-	-	-	-	14,574	-	14,574
- value of services	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	(1,400)	-	-	-	2	-	(18,346)	(18,346)
Transfer to/from retained profits	-	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2022 (unaudited)	277,955	(22,818)	1,485,134*	125,828*	45,480*	66,996*	212,469*	101,689*	25,066*	1,466,958*	3,704,757	258,189	4,042,946

\* These reserve accounts comprise the consolidated reserves of HK\$3,529,620,000 (31 December 2021: HK\$3,519,642,000) in the interim consolidated statement of financial position.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		<b>82,056</b>	(89,057)
Adjustments for:			
Interest income	5	<b>(17,244)</b>	(12,739)
Finance costs	7	<b>21,653</b>	21,425
Share of profit of a joint venture		<b>(1,991)</b>	(4,907)
Depreciation of property, plant and equipment	6	<b>105,910</b>	102,277
Depreciation of right-of-use assets	6	<b>34,207</b>	25,086
Amortization of intangible assets		<b>87,368</b>	71,997
Loss on disposal of items of property, plant and equipment	6	<b>899</b>	5,985
Equity-settled share option expense	6	<b>10,088</b>	11,481
Awarded share expense	6	<b>14,574</b>	12,150
Loss on fair value change of financial assets designated at fair value through profit or loss	6	<b>1,748</b>	1,923
(Gain)/loss on fair value change of redeemable preferred shares in a subsidiary	6	<b>(1,862)</b>	11,116
(Gain)/loss on equity investments designated at fair value through profit or loss	6	<b>(1,134)</b>	926
		<b>336,272</b>	157,663
Increase in inventories		<b>(92,293)</b>	(114,303)
(Increase)/decrease in trade receivables		<b>(181,589)</b>	32,970
(Increase)/decrease in notes receivable		<b>(77,009)</b>	56,783
Decrease in prepayments, other receivables and other assets		<b>100,486</b>	217,248
Increase/(decrease) in trade and bills payables		<b>30,942</b>	(130,723)
Decrease in other payables and accruals		<b>(9,553)</b>	(248,385)
Increase/(decrease) in provision for product warranties		<b>1,664</b>	(214)
Cash generated from/(used in) operations		<b>108,920</b>	(28,961)
Mainland China profits tax paid		<b>(1,899)</b>	(14,909)
Overseas profits taxes paid		<b>(11,634)</b>	(2,705)
Interest paid on lease liabilities		<b>-</b>	(1,699)
<b>Net cash flows from/(used in) operating activities</b>		<b>95,387</b>	(48,274)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		17,244	12,739
Purchases of items of property, plant and equipment		(58,990)	(54,948)
Addition of intangible assets		(49,025)	(36,642)
Proceeds from disposal of items of property, plant and equipment		979	9,987
Purchase of financial assets designated at fair value through profit or loss		(7,176)	(1,749)
Increase in restricted bank deposits		(17,880)	(13,978)
<b>Net cash flows used in investing activities</b>		<b>(114,848)</b>	<b>(84,591)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank borrowings		482,409	469,559
Repayment of bank borrowings		(299,085)	(462,848)
Exercise of share options	15(ii)	769	9,149
Interest paid		(21,653)	(19,726)
Principal portion of lease payments		(31,955)	(20,619)
Dividends paid to non-controlling shareholders		(11,422)	–
Contribution from the non-controlling interests		–	39,810
Issued redeemable preferred shares in a subsidiary		–	156,296
<b>Net cash flows from financing activities</b>		<b>119,063</b>	<b>171,621</b>

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 June 2022

	For the six months ended 30 June		
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>99,602</b>	38,756
Cash and cash equivalents at beginning of period		<b>1,652,228</b>	1,716,786
Effect of foreign exchange rate changes, net		<b>(52,851)</b>	18,463
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,698,979</b>	1,774,005
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>1,517,520</b>	1,708,084
Non-pledged time deposits with original maturity of less than three months when acquired		<b>181,459</b>	65,921
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>1,698,979</b>	1,774,005

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022

## 1. CORPORATE INFORMATION

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

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

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

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

## 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 2021, 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.

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

30 June 2022

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

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

30 June 2022

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

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

- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
  
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

30 June 2022

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

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

- (d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
  - HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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

30 June 2022

### 4. OPERATING SEGMENT INFORMATION

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

- (a) Wireless telecommunications network system equipment and services
- (b) Operator telecommunication services

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

Period ended 30 June 2022	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,946,985	95,533	3,042,518
Profit/(loss) before tax	171,336	(89,280)	82,056
Segment assets	10,631,881	1,280,811	11,912,692
Elimination			(604,031)
Total assets			11,308,661
Segment liabilities	7,091,413	778,333	7,869,746
Elimination			(604,031)
Total liabilities			7,265,715

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

30 June 2022

**4. OPERATING SEGMENT INFORMATION (Cont'd)**

Period ended 30 June 2021	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,315,146	102,982	2,418,128
Loss before tax	(5,420)	(83,637)	(89,057)
Year ended 31 December 2021			
Segment assets	10,762,215	1,546,954	12,309,169
Elimination			(796,590)
<b>Total assets</b>			<b>11,512,579</b>
Segment liabilities	7,138,576	986,776	8,125,352
Elimination			(796,590)
<b>Total liabilities</b>			<b>7,328,762</b>

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

30 June 2022

### 4. OPERATING SEGMENT INFORMATION (Cont'd)

#### GEOGRAPHICAL INFORMATION

##### (a) Revenue from external customers

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Mainland China	2,159,485	1,573,719
Other countries/areas in Asia		
Pacific	349,593	423,484
Americas	263,708	282,501
European Union	211,531	111,814
Middle East	28,410	11,176
Other countries	29,791	15,434
	<b>3,042,518</b>	2,418,128

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

##### (b) Non-current assets

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Mainland China	1,940,433	1,758,979
Lao People's Democratic Republic	1,207,216	1,490,117
Other countries/regions	44,458	45,531
	<b>3,192,107</b>	3,294,627

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

30 June 2022

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

Revenue of approximately HK\$846,311,000 (six months ended 30 June 2021: HK\$391,022,000), HK\$400,966,000 (six months ended 30 June 2021: HK\$194,024,000) and HK\$208,370,000 (six months ended 30 June 2021: HK\$261,793,000) was derived from 3 major customers, which accounted for 27.8% (six months ended 30 June 2021: 16.2%), 13.2% (six months ended 30 June 2021: 8.0%) and 6.8% (six months ended 30 June 2021: 10.8%) 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	<b>2,946,985</b>	2,315,146
Provision of operator telecommunication services	<b>95,533</b>	102,982
	<b>3,042,518</b>	2,418,128

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

30 June 2022

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Type of customers</b>		
PRC state-owned telecommunication operator groups	1,617,489	1,061,996
Other customers	1,425,029	1,356,132
Total revenue from contracts with customers	3,042,518	2,418,128

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,946,985	2,315,146
Services transferred over time	95,533	102,982
Total revenue from contracts with customers	3,042,518	2,418,128

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

30 June 2022

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

An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022 HK\$'000 (Unaudited)</b>	<b>2021 HK\$'000 (Unaudited)</b>
<b>Other income and gains</b>		
Bank interest income	<b>17,244</b>	12,739
Government subsidies <sup>#</sup>	<b>37,712</b>	31,101
Exchange gain, net	<b>10,663</b>	–
VAT refunds	<b>2,649</b>	4,963
Gross rental income	<b>3,464</b>	4,210
Technical services income	–	10,121
Gain on fair value change of redeemable preferred shares in a subsidiary	<b>1,862</b>	–
Gain on equity investment designated at fair value through profit or loss	<b>1,134</b>	–
Scrapped and recycled items sales income	<b>1,112</b>	1,407
Penalty income	<b>2,193</b>	1,100
Other miscellaneous income	<b>3,578</b>	2,343
	<b>81,611</b>	67,984

<sup>#</sup> 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.

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

30 June 2022

### 6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold and services provided		2,187,776	1,685,160
Depreciation of property, plant and equipment <sup>##</sup>		105,910	102,277
Depreciation of right-of-use assets		34,207	25,086
Amortization of computer software, technology and operating license <sup>##</sup>		15,221	15,371
Research and development expenses:			
Deferred expenditure amortized		72,147	56,626
Current period expenditure		187,330	200,137
		<b>259,477</b>	256,763
Employee benefit expense (including directors' remuneration):			
Salaries and wages		448,626	400,693
Staff welfare expenses		18,801	19,376
Equity-settled share option expense	16(a)	10,088	11,481
Awarded share expenses	16(c)	14,574	12,150
Pension scheme contributions (defined contribution scheme) <sup>†</sup>		35,096	34,630
		<b>527,185</b>	478,330
Exchange (gain)/loss, net*		(10,663)	9,293
Provision for product warranties <sup>^</sup>		9,030	9,928
Write-down of inventories to net realizable value <sup>†</sup>		283	41,667
Impairment of trade receivables and notes receivable <sup>##</sup>		18,047	18,503
Reversal of impairment of financial assets included in prepayments, other receivables and other assets <sup>##</sup>		(2,187)	(2,900)
Loss on disposal of items of property, plant and equipment <sup>##</sup>		899	5,985
Loss on fair value change of financial assets designated at fair value through profit or loss <sup>##</sup>		1,748	1,923
(Gain)/loss on fair value change of redeemable preferred shares in a subsidiary <sup>##</sup>		(1,862)	11,116
(Gain)/loss on equity investments designated at fair value through profit or loss <sup>##</sup>		(1,134)	926

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

30 June 2022

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

- ^ The provision for product warranties and write-down of inventories to net realizable value for the period were included in "Cost of sales" in the consolidated statement of profit or loss.
- # As at 30 June 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2021: Nil).
- \* Net exchange loss and net exchange gain are included in "Administrative expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.
- ## The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$55,905,000 (six months ended 30 June 2021: HK\$62,206,000) and HK\$11,661,000 (six months ended 30 June 2021: 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.

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

30 June 2022

### 7. FINANCE COSTS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	20,617	19,630
Interest on factored trade receivables	–	84
Interest on lease liabilities	1,036	1,699
Others	–	12
<b>Total</b>	<b>21,653</b>	<b>21,425</b>

### 8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (six months ended 30 June 2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	–	–
Mainland China	11,036	9,703
Elsewhere	13,642	11,373
Current – underprovision in prior periods	217	–
Deferred	(1,564)	5,867
<b>Total tax charge for the period</b>	<b>23,331</b>	<b>26,943</b>

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

30 June 2022

### 8. INCOME TAX (Cont'd)

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

### 9. DIVIDENDS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Final dividend declared and paid	–	–
Interim dividend – HK1 cent per ordinary share	<b>27,795</b>	–

Note:

On 25 August 2022, the Board declared an interim dividend of HK1 cent (six months ended 30 June 2021: Nil) per ordinary share, amounting to a total of approximately HK\$27,795,000 (six months ended 30 June 2021: Nil).

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

30 June 2022

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,779,232,000 (six months ended 30 June 2021: 2,737,662,000) in issue during the period.

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

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Earnings/(loss)</b>		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	<b>90,384</b>	(89,360)

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

30 June 2022

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

	Number of shares For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	<b>2,779,232,000</b>	2,737,662,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	<b>2,064,000</b>	–
	<b>2,781,296,000</b>	2,737,662,000

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

30 June 2022

### 11. INVENTORIES

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Raw materials	<b>416,672</b>	395,762
Project materials	<b>39,756</b>	54,534
Work in progress	<b>61,959</b>	58,570
Finished goods	<b>477,847</b>	493,566
Inventories on site	<b>391,811</b>	353,903
	<b>1,388,045</b>	1,356,335

### 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.

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

30 June 2022

**12. TRADE RECEIVABLES (Cont'd)**

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 3 months	<b>1,776,485</b>	2,137,743
4 to 6 months	<b>340,754</b>	533,755
7 to 12 months	<b>1,134,976</b>	609,352
More than 1 year	<b>1,567,629</b>	1,571,782
	<b>4,819,844</b>	4,852,632
Provision for impairment	<b>(693,555)</b>	(723,496)
	<b>4,126,289</b>	4,129,136

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

30 June 2022

### 12. TRADE RECEIVABLES (Cont'd)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., geography, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty 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 2022

	Current	Past due		Total	
		Less than 1 year	Over 2 years		
Expected credit loss rate	1.57%	7.22%	16.60%	71.56%	
Gross carrying amount (HK\$'000)	3,274,448	470,441	293,172	781,783	4,819,844
Expected credit losses (HK\$'000)	51,449	33,976	48,664	559,466	693,555

#### As at 31 December 2021

	Current	Past due		Total	
		Less than 1 year	Over 2 years		
Expected credit loss rate	1.67%	6.75%	16.84%	72.33%	
Gross carrying amount (HK\$'000)	3,320,692	349,435	379,761	802,744	4,852,632
Expected credit losses (HK\$'000)	55,302	23,583	63,956	580,655	723,496

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

30 June 2022

**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:

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Within 3 months	<b>2,445,755</b>	2,429,952
4 to 6 months	<b>770,519</b>	695,099
7 to 12 months	<b>558,518</b>	576,699
More than 1 year	<b>597,995</b>	843,099
	<b>4,372,787</b>	4,544,849

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

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

30 June 2022

### 14. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	<b>851,802</b>	644,739
In the 2nd year	<b>360,000</b>	160,000
In the 3rd to 5th years, inclusive	<b>400,000</b>	640,000
	<b>1,611,802</b>	1,444,739

As at 30 June 2022, loans denominated in Hong Kong dollars and RMB amounted to HK\$1,273,196,000 (31 December 2021: HK\$1,255,975,000) and HK\$338,606,000 (31 December 2021: HK\$188,764,000), respectively.

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

Bank loans as at 30 June 2022 bear interest at rates ranging from 1.69% to 3.92% (31 December 2021: from 1.45% to 3.80%) per annum.

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

30 June 2022

## 15. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
As at 1 January 2021		2,750,593,918	275,060
Exercise of share options	(i)	28,317,250	2,832
As at 31 December 2021 and 1 January 2022		2,778,911,168	277,892
Exercise of share options	(ii)	634,000	63
As at 30 June 2022		2,779,545,168	277,955

As at 30 June 2022, the total number of issued ordinary shares of the Company was 2,779,545,168 shares (31 December 2021: 2,778,911,168 shares) which included 16,637,136 shares (31 December 2021: 16,637,136 shares) held under the share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 (the "Adoption Date") and renewed on 25 March 2021 (note 16(b)).

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

30 June 2022

### 15. SHARE CAPITAL (Cont'd)

Notes:

- (i) During the year ended 31 December 2021, the subscription rights attaching to 21,648,250 share options, 6,105,500 share options and 563,500 share options were exercised at the adjusted exercise prices of HK\$1.255 per share, HK\$1.170 per share and HK\$1.890 per share respectively, resulting in the issue of 28,317,250 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$35,159,000.
  
- (ii) During the six months ended 30 June 2022, the subscription rights attaching to 596,000 share options and 38,000 share options were exercised at the exercise prices of HK\$1.170 per share and HK\$1.890 per share respectively, resulting in the issue of 634,000 shares of HK\$0.10 each for a total cash consideration, before expenses of approximately HK\$769,000.

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

### **(a) SHARE OPTION SCHEME**

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

The purpose of the 2013 Scheme is to provide incentives and rewards to eligible persons for their contribution or potential contribution to the success of the Group's operations. Eligible persons of the 2013 Scheme include (i) directors (including independent non-executive directors) or employees of, or individual for the time being seconded to work for; (ii) holders of any securities issued by; (iii) business or joint venture partners, contractors, agents or representatives of; (iv) persons or entities that provide research, development or technological support or any advisory, consultancy or professional services incidental to the business of the Group to; (v) investors, vendors, suppliers, developers or licensors of; or (vi) customers, licencees (including sub-licencees), wholesalers, retailers, traders or distributors of goods or services of, any member of the Group, the Company's controlling shareholders or companies controlled by the Company's controlling shareholders.

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

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

30 June 2022

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

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

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

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

The exercise price of the share options granted under the 2013 Scheme is determinable by the directors of the Company, but shall be at least 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 on the date of offer of the share options; and (iii) the average closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of the share options.

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

30 June 2022

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

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

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

The following number of share options were outstanding under the 2013 Scheme during the six months ended 30 June 2022:

	For the six months ended 30 June			
	2022		2021	
	Weighted average exercise price of each share option HK\$	Number of share options	Weighted average exercise price of each share option HK\$	Number of share options
As at 1 January	1.789	154,473,000	1.574	138,060,250
Exercised during the period	1.213	(634,000)	1.248	(7,329,750)
Forfeited during the period	1.917	(1,274,500)	1.652	(950,000)
Granted during the period	-	-	2.030	50,000,000
As at 30 June	1.790	152,564,500	1.714	179,780,500

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

30 June 2022

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

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

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2022 are as follows:

Name or category of participant	As at 1 January 2022	Granted during the period	Number of share options		Forfeited during the period	As at 30 June 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
<b>Executive directors</b>										
Mr. Fok Tung Ling	-	-	-	-	-	-	-	-	-	
Mr. Zhang Yue Jun	-	-	-	-	-	-	-	-	-	
Mr. Xu Huijun	5,000,000	-	-	-	-	5,000,000	28 Aug 18	28 Aug 19-27 Aug 23	1.300	-
	10,000,000	-	-	-	-	10,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	4,000,000	-	-	-	-	4,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	19,000,000	-	-	-	-	19,000,000				
Mr. Chang Fei Fu	500,000	-	-	-	-	500,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	2,000,000	-	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	7,500,000	-	-	-	-	7,500,000				
Mr. Bu Binlong	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	2,000,000	-	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	8,800,000	-	-	-	-	8,800,000				

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

30 June 2022

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

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

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2022 are as follows: (Cont'd)

Name or category of participant	As at 1 January 2022	Granted during the period	Number of share options			As at 30 June 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period	Forfeited during the period					
<b>Executive directors (Cont'd)</b>										
Ms. Huo Xinru	1,050,000	-	-	-	-	1,050,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	2,000,000	-	-	-	-	2,000,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	<b>8,050,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,050,000</b>				
<b>Non-executive director</b>										
Mr. Wu Tielong	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	<b>6,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,800,000</b>				

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

30 June 2022

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

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

Movements in the number of the Company's share options under the 2013 Scheme during the six months ended 30 June 2022 are as follows: (Cont'd)

Name or category of participant	As at 1 January 2022	Granted during the period	Number of share options		Forfeited during the period	As at 30 June 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
			Exercised during the period	Expired during the period						
Independent non-executive directors Mr. Lau Siu Ki, Kevin	50,000	-	-	-	-	50,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	250,000	-	-	-	-	250,000				
Dr. Lin Jin Tong	200,000	-	-	-	-	200,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	-
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
	400,000	-	-	-	-	400,000				
Ms. Ng Yi Kum	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20-7 Apr 24	1.890	-
Ms. Wong Lok Lam	-	-	-	-	-	-				
Other employees in aggregate	21,906,500	-	(596,000)	-	(134,500)	21,176,000	10 Apr 18	10 Apr 19-9 Apr 23	1.170	1.6820
	41,566,500	-	(38,000)	-	(200,000)	41,328,500	8 Apr 19	8 Apr 20-7 Apr 24	1.890	1.9900
	40,000,000	-	-	-	(940,000)	39,060,000	13 Apr 21	13 Apr 22-12 Apr 26	2.030	-
	103,473,000	-	(634,000)	-	(1,274,500)	101,564,500				1.7005
	154,473,000	-	(634,000)	-	(1,274,500)	152,564,500				

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

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

30 June 2022

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

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

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

30 June 2022 Number of share options	Exercise price of share options HK\$ per share	Exercise period
26,576,000	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
71,928,500	1.890	8 April 2020 to 7 April 2024
49,060,000	2.030	13 April 2022 to 12 April 2026
<b>152,564,500</b>		
30 June 2021 Number of share options	Exercise price of share options HK\$ per share	Exercise period
21,375,500	1.255	26 August 2017 to 25 August 2021
30,834,500	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
72,570,500	1.890	8 April 2020 to 7 April 2024
50,000,000	2.030	13 April 2022 to 12 April 2026
<b>179,780,500</b>		

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

30 June 2022

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

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

The expense recognized in the condensed consolidated statement of profit or loss for employee services received during the six months ended 30 June 2022 is approximately HK\$10,088,000 (six months ended 30 June 2021: HK\$11,481,000).

At the end of the reporting period, the Company had 152,564,500 share options outstanding under the 2013 Scheme, of which 95,249,500 were vested and 57,315,000 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 152,564,500 additional ordinary shares of the Company and additional share capital of approximately HK\$15,256,450 and share premium of approximately HK\$257,874,135 (before issue expenses).

As at the date of approval of the condensed consolidated interim financial statements, the Company had 152,368,500 share options outstanding under the 2013 Scheme, which represented approximately 5.48% of the Company's shares in issue as at that date.

As at the date of approval of the condensed consolidated interim financial statements, the total number of securities available for issue under the 2013 Scheme was 271,014,986 Shares, representing approximately 9.75% of the Company's shares in issue.

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

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

According to the scheme mandate limit of the 2013 Scheme as refreshed at the annual general meeting held on 28 May 2018, the Company may further grant 246,516,486 share options (being 10% of the total number of issued shares of the Company as at 28 May 2018). Since 5,000,000 share options, 80,000,000 share options and 50,000,000 share options were granted on 28 August 2018, 8 April 2019 and 13 April 2021 respectively, the total number of unissued share options under the scheme mandate limit became 111,516,486, representing approximately 4.01% of the Company's shares in issue as at 30 June 2022.

### (b) SHARE AWARD SCHEME

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

Eligible persons of the Share Award Scheme include (i) the executives, officers, employees, directors (including executive, non-executive and independent non-executive directors) of the Group; (ii) holders of any securities issued by any member of the Group or any controlling shareholder; (iii) business or joint venture partners, contractors, agents or representatives, persons that provide research, development or technological support or any advisory, consultancy, professional services to the business of the Group, investors, vendors, suppliers, developers or licensors of, or customers, licencees (including sub-licensees), wholesalers, retailers, traders or distributors of goods or services of members of the Group.

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

30 June 2022

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

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

Unless it is early terminated by the board of directors of the Company (the "Board") in accordance with the terms therein, the Share Award Scheme shall be valid and effective until the date falling on the 10th anniversary of the Adoption Date.

The Board has resolved to renew the term of Share Award Scheme for a term of ten years as from 25 March 2021 to 25 March 2031. Please refer to the announcement of the Company dated 25 March 2021 for further details.

Pursuant to the Share Award Scheme, awarded shares (the "Awarded Shares") may be (i) acquired by the trustee (the "Trustee") and/or the administration committee (the "Administration Committee") of the Share Award Scheme at the cost of the Company at the prevailing market price and be held on trust for the Selected Persons; or (ii) allotted and issued as new shares of the Company to the Trustee/Administration Committee under general mandates granted or to be granted by the shareholders at general meetings of the Company from time to time and be held on trust for Selected Persons.

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

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

The Board shall not make any further award of the Awarded Shares which will result in the number of the shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders in any general meeting of the Company). The maximum number of shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders in any general meeting of the Company), which would be 66,578,998 shares of the Company. The aforesaid limit may be refreshed or amended by approval of the shareholders in any general meeting of the Company. Nevertheless, the total number of the Awarded Shares which may be issued under the Share Award Scheme and the exercise of all options to be granted under other incentive and option schemes of the Company (including the 2013 Scheme) as so refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Awarded Shares or share options previously granted under the Share Award Scheme or the 2013 Scheme (including those vested, outstanding, cancelled and lapsed) will not be counted for the purpose of calculating the limit as refreshed. The Company will not issue any Awarded Shares under the Share Award Scheme which would result in the total number of the Awarded Shares together with shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme or any other incentive or share option schemes of the Company representing in aggregate over 30% of the shares in issue as at the date of such grant.

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

30 June 2022

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

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

The Awarded Shares and the related income thereof shall vest in accordance with the timetable and conditions as imposed by the Board at its absolute discretion pursuant to the Share Award Scheme.

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 shares of the Company 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. All such 26,000,000 Awarded Shares were vested/lapsed.

Movements in the number of treasury shares held for the Share Award Scheme for the six months ended 30 June 2021 and 2022 are as follows:

	Treasury shares held for the Share Award Scheme
As at 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	16,637,136

No Awarded Shares held for the Selected Persons were outstanding as at 30 June 2022. No Awarded Shares were granted to any Selected Persons and no Awarded Shares were cancelled/lapsed during the six months ended 30 June 2022.

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

### (c) SHARE INCENTIVE SCHEME

On 29 May 2020, the Company adopted a share incentive scheme (the "Scheme") to award, the shares of Comba Network Systems Company Limited ("Comba Network"), an indirect subsidiary of the Company, to directors, employees and consultants of the Group to recognise and reward their contributions to the Group.

Comba Business Consulting (Guangzhou) Limited# (京信企業諮詢(廣州)有限公司) ("Comba Consulting", an indirect wholly-owned subsidiary of the Company), acts as a general partner, together with the selected participants (the "Selected Participants") in the Scheme who act as limited partners, have set up a total of three Non-G Partnerships (as defined below), four Existing G Partnerships (as defined below) and four New G Partnerships (as defined below) in the People's Republic of China (the "PRC").

In June 2020, Comba Consulting, as a general partner, together with the Selected Participants, who act as limited partners, have set up Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)) (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants under Non-G Partnerships consist of four directors of the Company, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network and its subsidiaries, collectively the "Comba Network Group"), and three consultants of the Group (excluding Comba Network Group). Non-G Partnerships purchased certain existing shares of Comba Network from Comba Telecom Systems Limited, a wholly-owned subsidiary of the Company, at the total consideration of RMB57,700,000.

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

30 June 2022

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

#### (c) SHARE INCENTIVE SCHEME (Cont'd)

In June 2020, Comba Consulting, as a general partner, together with the Selected Participants, who act as limited partners, have also set up Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)) (the "Existing G Partnerships") under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants under the Existing G Partnerships consist of one director of the Company, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. The Existing G Partnerships subscribed for and Comba Network issued certain new shares at the total consideration of RMB54,400,000.

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

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

30 June 2022

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

**(c) SHARE INCENTIVE SCHEME (Cont'd)**

On 23 March 2021, Comba Consulting has further set up Xin Han Tong No.9 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通九號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.10 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通十號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.11 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通十一號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.12 Enterprise Management (Zhuhai) Partnership (Limited Partnership)<sup>#</sup> (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)) (collectively the "New G Partnerships") in the PRC under the New G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants under the New G Partnerships consist of 174 employees of the Comba Network Group.

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

Each of the Non-G Partnerships, Existing G Partnerships and New G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. As at 30 June 2022, the Non-G Partnerships, Existing G Partnerships and New G Partnerships hold approximately 4.71%, 4.44% and 1.63% of the equity interest of Comba Network, respectively.

The Group had recorded the expenses associated with the shares granted under the Share Incentive Scheme of HK\$14,574,000 in the statement of profit or loss in the first half of 2022.

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

<sup>#</sup> for identification purpose

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

30 June 2022

### 17. RESERVES

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

### 18. CONTINGENT LIABILITIES

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Guarantees given to banks in respect of performance bonds	<b>283,080</b>	276,836

### 19. COMMITMENTS

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

	<b>30 June 2022 HK\$'000 (Unaudited)</b>	31 December 2021 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	<b>12,856</b>	8,566

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

30 June 2022

### 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

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

As at 30 June 2022 and 31 December 2021, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

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

30 June 2022

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022 and 31 December 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	2.53 to 11.34 (2021: 0.78 to 25.46)	10% (2021: 10%) increase/decrease in multiple would result in increase/decrease in fair value by HK\$586,000 (2021: HK\$906,000)
		Discount for lack of marketability	30% (2021: 30%)	10% (2021: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$251,000 (2021: HK\$388,000)
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2021: 5%) increase/decrease in fair value per share would result in increase/decrease in fair value by HK\$16,283,000 (2021: HK\$17,139,000)

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

30 June 2022

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

**FAIR VALUE HIERARCHY**

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

**Assets measured at fair value:**

**As at 30 June 2022**

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Financial assets designated at fair value through profit or loss	-	2,291	-	2,291
Equity investments designated at fair value through other comprehensive income	-	50,861	6,666	57,527
Equity investments designated at fair value through profit or loss	-	88,429	5,014	93,443
	-	141,581	11,680	153,261

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

30 June 2022

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

FAIR VALUE HIERARCHY (Cont'd)

**Assets measured at fair value:** (Cont'd)

As at 31 December 2021

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Financial assets designated at fair value through profit or loss	–	3,102	–	3,102
Equity investments designated at fair value through other comprehensive income	–	53,241	9,572	62,813
Equity investments designated at fair value through profit or loss	–	86,436	4,098	90,534
	–	142,779	13,670	156,449

**Liabilities measured at fair value:**

As at 30 June 2022

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Redeemable preferred shares in a subsidiary	–	–	325,657	325,657

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

30 June 2022

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

FAIR VALUE HIERARCHY (Cont'd)

**Liabilities measured at fair value:** (Cont'd)

As at 31 December 2021

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (Level 1) HK\$'000 (Audited)	Significant observable inputs (Level 2) HK\$'000 (Audited)	Significant unobservable inputs (Level 3) HK\$'000 (Audited)	
Redeemable preferred shares in a subsidiary	-	-	342,771	342,771

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

As at 30 June 2022 and 31 December 2021, the fair value of the unlisted equity investments designated at fair value through other comprehensive income was based on transaction price or a market-based valuation technique. The fair value of the unlisted equity investments designated at fair value through profit or loss was based on transaction price or a market-based valuation technique. The fair values of financial assets designated at fair value through profit or loss were measured using valuation models and various market observable inputs, including tenor, volatility and spot rate.

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

30 June 2022

### 21. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term employee benefits	7,667	8,371
Pension scheme contributions	105	113
Equity-settled share option expense	2,663	3,878
Awarded share expenses	1,736	1,591
	<b>12,171</b>	13,953

### 22. EVENT AFTER THE REPORTING PERIOD

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

### 23. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorized for issue by the Board on 25 August 2022.

By order of the Board  
**COMBA TELECOM SYSTEMS HOLDINGS LIMITED**

**Fok Tung Ling**  
*Chairman*

Hong Kong, 25 August 2022

Comba Telecom Systems Holdings Limited

The logo for Comba, featuring the word "Comba" in a bold, blue, sans-serif font.

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Comba Telecom Systems Holdings Limited

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