

Comba

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

股份代號 Stock Code :
香港 Hong Kong : 2342
新加坡 Singapore : STC

Persistent
繼往開來

Focus
凝心聚力

Innovation
創新發展

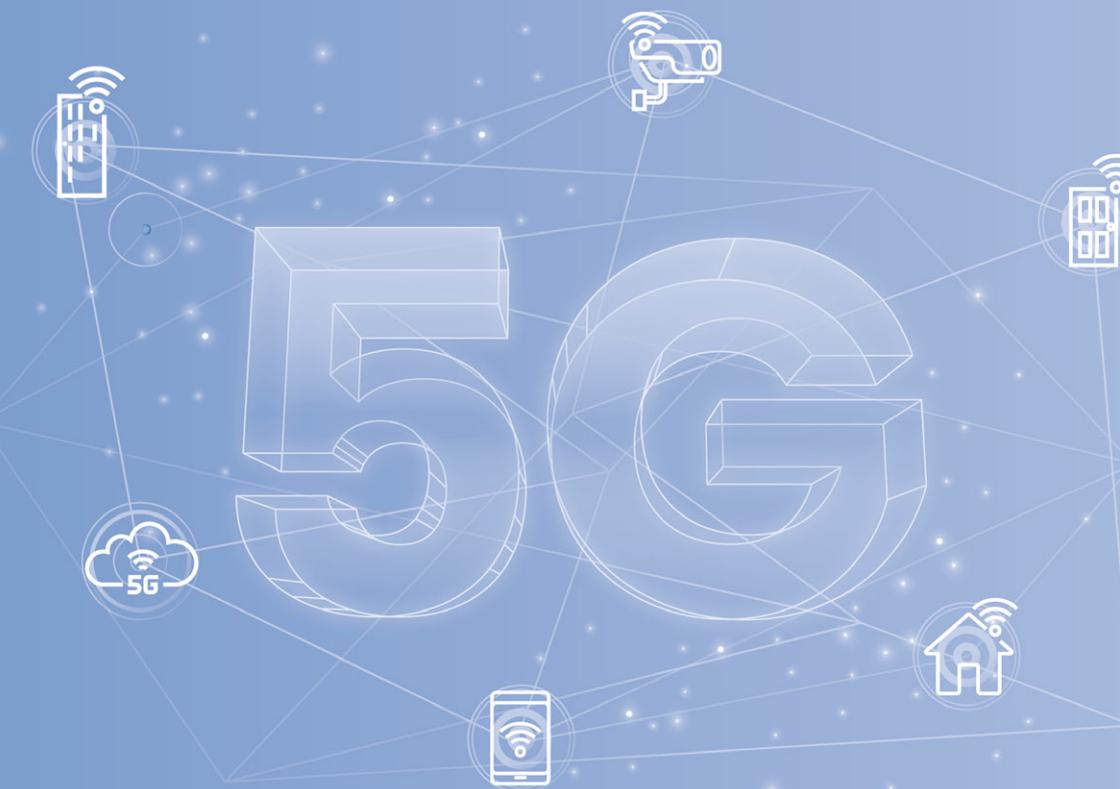
Brilliant
再創輝煌



2023 中期
報告
INTERIM REPORT

CONTENTS

2–3	Corporate Information
4–25	Management Discussion and Analysis
26	Interim Consolidated Statement of Profit or Loss
27	Interim Consolidated Statement of Comprehensive Income
28–29	Interim Consolidated Statement of Financial Position
30–31	Interim Consolidated Statement of Changes in Equity
32–34	Interim Consolidated Statement of Cash Flows
35–84	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

Huo Xinru

Bu Binlong (resigned with effect from
24 March 2023)

NON-EXECUTIVE DIRECTOR

Wu Tielong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lau Siu Ki, Kevin

Ng Yi Kum

Wong Lok Lam

Lin Jin Tong (resigned with effect from
24 March 2023)

COMPANY SECRETARY

Chan Siu Man

AUDIT COMMITTEE

Ng Yi Kum (*Chairman*) (appointed as
Chairman with effect from 24 March
2023)

Lau Siu Ki, Kevin (resigned as Chairman
with effect from 24 March 2023)

Wong Lok Lam

Lin Jin Tong (resigned with effect from
24 March 2023)

NOMINATION COMMITTEE

Wong Lok Lam (*Chairman*) (appointed
as Chairman with effect from
24 March 2023)

Lau Siu Ki, Kevin

Ng Yi Kum

Lin Jin Tong (resigned with effect from
24 March 2023)

REMUNERATION COMMITTEE

Lau Siu Ki, Kevin (*Chairman*)

Ng Yi Kum

Wong Lok Lam

Lin Jin Tong (resigned with effect from
24 March 2023)

**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

**CAYMAN ISLANDS PRINCIPAL
SHARE REGISTRAR AND
TRANSFER OFFICE**

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Cayman Islands

**HONG KONG BRANCH
SHARE REGISTRAR AND
TRANSFER OFFICE**

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
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183 Queen's Road East
Wanchai, Hong Kong

**SINGAPORE SHARE
TRANSFER AGENT**

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30 Cecil Street
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Singapore 049712

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Entering 2023, although the global operating environment remained uncertain, various countries and regions have continued to improve their 5G infrastructure. In particular, as 5G licensing in Mainland China has come to its fourth anniversary, the three major operators in Mainland China are actively pushing forward the strategy of shifting the focus of the development of fundamental networks from extensive coverage to in-depth coverage. Moreover, a number of countries and regions are constructing 5G networks in an orderly manner with continuous optimization in industrial chain system and ongoing technological upgrade and advancement, in a bid to promote the upgrade and evolution of 5G network solutions for a more exceptional, environmentally-friendly and intelligent functional performance to satisfy the ever-changing market needs.

REVENUE

Comba Telecom Systems Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) reported interim revenue of HK\$3,228,189,000 (2022: HK\$3,042,518,000) for the six months ended 30 June 2023 (the “Current Period”), representing a 6.1% increase as compared to the six months ended 30 June 2022 (the “Prior Period”). The increase in revenue was mainly attributed to the steady growth recorded in four businesses of the Group during the Current Period, in particular, satisfactory results have been achieved in international business and wireless transmission business.

BY CUSTOMERS

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 26.3% over the Prior Period to HK\$623,651,000 (2022: HK\$846,311,000), accounting for 19.3% of the Group’s revenue in the Current Period, compared to 27.8% in the Prior Period.

Revenue generated from China United Telecommunications Corporation and its subsidiaries increased by 31.3% over the Prior Period to HK\$526,620,000 (2022: HK\$400,966,000), accounting for 16.3% of the Group’s revenue in the Current Period, compared to 13.2% in the Prior Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Revenue generated from China Telecommunications Corporation and its subsidiaries was similar to last year at approximately HK\$208,184,000 (2022: HK\$208,370,000), accounting for 6.4% of the Group's revenue in the Current Period, compared to 6.8% in the Prior Period.

Revenue generated from China Tower Corporation Limited increased by 31.4% over the Prior Period to HK\$212,713,000 (2022: HK\$161,841,000), accounting for 6.6% of the Group's revenue in the Current Period, compared to 5.3% in the Prior Period.

During the Current Period, revenue from other customers in Mainland China decreased by 9.2% over the Prior Period to HK\$284,946,000 (2022: HK\$313,697,000) and represented 8.9% (2022: 10.3%) of the Group's revenue.

On the international front, during the Current Period, revenue generated from international customers and core equipment manufacturers increased by 26.8% over the Prior Period to HK\$1,288,123,000 (2022: HK\$1,015,799,000), accounting for 39.9% of the Group's revenue in the Current Period, compared to 33.4% in the Prior Period. This increase was mainly due to the expansion of the Group's overseas business during the Current Period, in particular, satisfactory results have been achieved in the sales of base station antenna products and network products.

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 12.1% over the Prior Period to HK\$83,952,000 (2022: HK\$95,533,000), accounting for 2.6% of the Group's revenue in the Current Period (2022: 3.1%). During the Current Period, ETL's revenue denominated in Lao Kip increased by 29.7% over the Prior Period, however the decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 20% during the Current Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

BY BUSINESSES

During the Current Period, revenue from base station antennas and subsystems business increased by 2.3% over the Prior Period to HK\$1,652,227,000 (2022: HK\$1,615,546,000), accounting for 51.2% (2022: 53.1%) of the Group's revenue in the Current Period. This increase in revenue was mainly due to the completion of the phased launch and delivery of the Group's overseas base station antenna project awarded during the Current Period.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, increased by 1.7% over the Prior Period to HK\$500,383,000 (2022: HK\$491,910,000), accounting for 15.5% (2022: 16.2%) of the Group's revenue in the Current Period. This increase in revenue was mainly due to the satisfactory results achieved by the Group in the sales of network products overseas.

During the Current Period, revenue from services increased by 0.3% over the Prior Period to HK\$708,722,000 (2022: HK\$706,502,000), accounting for 22.1% (2022: 23.2%) of the Group's revenue. The Group will continue to focus on high-quality construction projects and invest resources in projects with a higher gross profit margin.

During the Current Period, revenue from other businesses (including wireless transmission) increased by 112.7% over the Prior Period to HK\$282,905,000 (2022: HK\$133,027,000), accounting for 8.8% (2022: 4.4%) of the Group's revenue. The increase in revenue was mainly attributable to the significant growth in sales of the Group's wireless transmission equipment during the Current Period.

GROSS PROFIT

During the Current Period, the Group's gross profit increased by 0.2% to HK\$848,985,000 (2022: HK\$847,126,000) as compared with the Prior Period. The gross profit margin of the Group was 26.3% in the Current Period (2022: 27.8%), down slightly by 1.5 percentage points as compared with the Prior Period. During the Current Period, the decrease in gross profit margin of the Group was mainly due to the change in product portfolio and the increase in provision for a small amount of inventories. 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.

OTHER INCOME AND GAINS

During the Current Period, other income and gains increased by 128.9% to HK\$186,821,000 (2022: HK\$81,611,000) as compared with the Prior Period, accounting for 5.8% (2022: 2.7%) of the Group's revenue. The increase in other income and gains was mainly due to the exchange gains of approximately HK\$110 million incurred as the Group sufficiently and effectively arranged and reorganized for the most appropriate loan portfolio in Mainland China and Hong Kong, China in light of the change in exchange rate during the Current Period.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

During the Current Period, R&D expenses decreased by 17.6% over the Prior Period to HK\$213,916,000 (2022: HK\$259,477,000), representing 6.6% (2022: 8.5%) of the Group's revenue. The entering of the post-5G era has created opportunities for new application scenarios and models. To enhance the competitiveness of its products, the Group has invested resources in relevant R&D activities in a more effective manner and embraced continuous innovation.

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

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Period, S&D expenses decreased by 4.2% over the Prior Period to HK\$254,003,000 (2022: HK\$265,088,000), representing 7.9% (2022: 8.7%) of the Group's revenue. During the Current Period, this decrease in S&D expenses 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 2.8% over the Prior Period to HK\$208,762,000 (2022: HK\$214,880,000), accounting for 6.5% (2022: 7.1%) of the Group's revenue. The Group is committed to optimizing its strategy for organizational and management structure, thereby enhancing operational efficiency on a continuous basis.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCE COSTS

During the Current Period, finance costs increased by 39.0% to HK\$30,107,000 (2022: HK\$21,653,000) as compared with the Prior Period, representing 0.9% (2022: 0.7%) of the Group's revenue. The increase in finance costs was mainly due to the increase in interest rates as a result of the market interest rate hike 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 2023, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 9.7% compared with 12.7% as of 31 December 2022.

OTHER EXPENSES

During the Current Period, other expenses increased by 71.4% over the Prior Period to HK\$150,102,000 (2022: HK\$87,574,000), representing 4.6% (2022: 2.9%) of the Group's revenue. The increase in other expenses was mainly due to the increase in provision for receivables during the Current Period as the Group consistently adopted prudent operation and financial principles, which had no impact on cash flows. As the recovery of receivables continued to improve, the management considered that the risk of such receivables was under control.

TAX

During the Current Period, the Group's overall taxation charge of HK\$56,520,000 (2022: HK\$23,331,000) comprised an income tax expense of HK\$43,968,000 (2022: HK\$24,895,000) and a deferred tax charge of HK\$12,552,000 (2022: deferred tax credit of HK\$1,564,000). This increase in the overall taxation charge was due to the increase in deferred tax charge and PRC tax charge of the Group during the Current Period.

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

NET PROFIT

In summary, due to the increase in revenue and gross profit of the Group, the increase in exchange gain and the decrease in total operating expenses during the Current Period, the profit attributable to owners of the parent of the Group was HK\$112,178,000 (2022: profit attributable to owners of the parent of HK\$90,384,000) during the Current Period.

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 HK1.2 cent per ordinary share (the "Share(s)") of the Company (2022: HK1.0 cent). The total dividend payout ratio, on the basis of basic earnings per Share, is 29.7% (2022: 30.8%).

PROSPECTS

Given the persisting uncertainties in the global economy, the Group will remain prudent in driving its business development while capturing market opportunities in a more responsive manner and investing resources in profitable projects precisely. In the first half of the year, according to the data from the Ministry of Industry and Information Technology of the PRC, the overall telecommunication industry in Mainland China maintained a stable operation and demonstrated a positive growth momentum in various indicators, and have experienced acceleration in the development of new infrastructures such as 5G and internet of things. With the provision of scenario-based and highly cost-efficient solutions as one of the Group's core competitiveness, we believe that the in-depth coverage by operators and the demand for mobility from enterprises will bring more business opportunities to the Group.

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 convergent 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, core equipment manufacturers and integrators, its antenna business has a presence in more than 100 countries and regions globally.

Targeting the demands for low-carbon and environmental protection around the world as well as operators' demands for electricity saving and cost reduction, the Group has launched the new generation of "green antenna solution" (Helifeed™) through all-rounded innovative technologies covering environmentally-friendly design and the use of eco-friendly materials, processes and production to support application scenarios of green and low-carbon network construction, including basic coverage in urban areas, capacity and coverage in counties/townships/villages, wide coverage in rural areas as well as coverage along sea routes and the high speed railway. The Group developed the innovative low-loss high-efficiency low-carbon green antenna, and achieved major transformation of base station antenna in terms of design concept and product structure through all-rounded technological innovation. Operators are expected to be able to save around 23 to 34 million kWh of electricity annually for every ten-thousand base stations, representing an 13,000 to 20,000-tonne reduction in carbon emissions, which effectively realised the goals of carbon emission reduction and helped operators to reduce their operating expenses.

NETWORK PRODUCT SYSTEM SOLUTIONS

Comba Network Systems Company Limited (“Comba Network”), an indirect subsidiary of the Company, principally engages in the manufacture and sales of wireless telecommunications network system equipment and the provision of related comprehensive solutions. It currently focuses on the R&D, manufacture and sales of network system products, including base station products, extended coverage products (DAS and repeaters) and Open RAN products, which are able to provide full-scenario, highly cost-efficient communication and information solutions and help constantly improve the network quality and optimize network indicators for our customers. In addition, the Company provided total solutions of 5G basic network platform for vertical industries such as smart mining, smart manufacturing, smart industrial parks and smart education to cater to their industry needs and applications.

As a pioneer of small cells in the industry, Comba Network has conducted independent research on radio-frequency products, such as remote radio unit (RRU) and small cells for over 20 years and 15 years, respectively. It possesses fully-independent R&D capabilities for and extensive experience accumulated in relation to software and hardware that meet the universal specifications for 4G/5G network access. Its diverse product mix has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells, micro cells, pico cells and femto cells. By offering in-depth coverage in cities and extensive coverage in rural areas, it provides highly cost-efficient and competitive products and solutions. Commercial application of 5G small cell products have been commenced in more than twenty provinces. The value and advantages of our rapid and high-efficiency network construction plans are well recognized by customers. Pursuant to the requirements of the national planning under the Outline of the 14th Five-Year Plan and the implementation of the rural revitalization strategy, it is expected that better results will be achieved in realising 5G coverage in rural areas than in the era of offering 4G services. As the construction of 5G network in Mainland China also embarked on the next stage, the scenario-based network coverage, development of indoor network and industrial application and development of 5G network have also come under the spotlight. Moreover, in August 2022, the Group achieved a satisfactory result in the centralized procurement of 5G pico cells for China Mobile. In addition, the Group will actively participate in the centralized procurement of small cells of operators in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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 featuring leading technological advantages such as multi-carrier, multi-mode, high-efficiency and high-capacity. Furthermore, Comba Network established inter-connection and compatibility with globally advanced base-band manufacturers, and has entered into strategic partnerships with leading integrators in the industry. In the first quarter of 2023, leveraging its well-established and widely-recognised single-frequency and multi-frequency Open RAN RRU product platform, Comba Network launched an industry-leading software upgrade with enhanced support, and further expanded the O-RU product portfolio to support the TDD mode. ORAN has introduced a highly efficient technical structure comprising general-purpose processing hardware and decoupling technology for software and hardware. This enables more open applications for commercial use and satisfies the demands of operators for new network construction and maintenance of existing networks in the era of 4G/5G co-existence, hence suggesting great market potential and a continuously promising macro-environment of the industry.

In respect of 5G vertical industries, Comba Network has developed FLeX5, an intelligent computing platform that fully connects with “5G network + broad internet of things + MEP + AI” engines. By providing the underlying network and platform solution for the specific needs and applications of target industries, it aims to offer integrated smart solutions to customers, promote 5G application in vertical industries such as the industrial, mining, energy, industrial parks and education sectors, and empower smart upgrades within the industry. In the list of “Recommended Suppliers for 5G Application Solutions (First Batch)” (5G應用解決方案供應商推薦名錄(第一批)) published by The China Academy of Information and Communications Technology and 5G Applications Industry Array (5G AIA) in 2022, Comba Network was successfully selected as a “Comprehensive Supplier for 5G Application Solutions” (5G應用解決方案綜合性供應商). Comba Network will grasp the emerging business opportunities arising from the active development of scenario-based application by the three major operators in Mainland China and promote the development of integration with vertical industries to the next level.

MARKET EXPANSION

OPERATOR BUSINESS IN MAINLAND CHINA

The three major operators in Mainland China will continue to build and deploy low- and medium-band networks for 5G macro cells. They will promote the sustainable development of multi-frequency spectrum, multi-mode, co-constructed and shared technology, thereby raising the technological entry barrier of their products. 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 low-carbon green antenna and integrated high-power cell remote coverage solution and achieved major technological breakthroughs in product development through R&D investments. The Group joined hands with major telecom operators in Mainland China to commence pilot projects of green antenna, which achieved remarkable results. Operators are now studying and planning for centralized procurement bidding for green antenna products.

In respect of broad indoor coverage, large-scale construction projects have been launched by domestic operators successively. 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 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, with a view to offering advanced 5G application solutions to customers globally and 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 jointly conduct R&D for more competitive next-generation products so as to grow its Open RAN business. The Group's newly developed green antenna, which achieved excellent performance in a laboratory test of a renowned international operator, has been included in the procurement list of various renowned international operators with field tests being carried out, and will gradually generate sizable revenue in the future.

NEW BUSINESS

The three major applications for 5G – enhancing mobile broadband, large-scale internet of things, and ultra-reliable and low-latency communications – will transform current production modes and everyday lifestyles in the coming years. During the Current Period, the Group continued to actively explore areas such as “5G + vertical industry applications” and promoted the efficient 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 relevant innovative businesses in a bid to contribute to its business growth in the future.

CONCLUSION

In face of the complex and volatile macro environment and the increasingly competitive environment of the information and telecommunication industry, the Group will continue to strengthen its independent R&D capabilities proactively while consolidating its existing operation achievements. Capturing new market opportunities, the Group will further deepen the strategic layout of sustainable development and develop green, low-carbon and cost-effective products, thereby building distinctive core competitiveness of the Group and creating value for customers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations from cash flows generated internally and bank borrowings. As at 30 June 2023, the Group had net current assets of HK\$1,674,518,000. The current assets of the Group comprised inventories of HK\$1,120,471,000, trade receivables of HK\$3,838,525,000, notes receivable of HK\$95,566,000, prepayments, other receivables and other assets of HK\$447,996,000, financial assets at fair value through profit or loss of HK\$2,509,000, restricted bank deposits of HK\$69,327,000, time deposits of HK\$162,450,000 and cash and cash equivalents of HK\$1,564,275,000. The current liabilities of the Group comprised trade and bills payables of HK\$3,899,604,000, other payables and accruals of HK\$594,902,000, interest-bearing bank borrowings of HK\$968,025,000, tax payable of HK\$95,472,000 and provision for product warranties of HK\$68,598,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 218 days compared to 248 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted longer credit term. The balance of trade receivables set out above included retention money, which was for assurance that the products and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally settled after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Period was 305 days compared to 371 days for the Prior Period. The average inventory turnover for the Current Period was 99 days compared to 114 days for the Prior Period.

As at 30 June 2023, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United States dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group entered into 3-year term loan facility agreements with certain financial institutions in 2021. Details of the Group's bank borrowings are set out in note 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 States dollars. As at 30 June 2023, to hedge against currency risks underlying the Group's transactions that are settled in Renminbi and Indian Rupee, the Group has outstanding non-deliverable foreign currency option contracts in respect of Renminbi and Indian Rupee with notional amount of RMB250,000,000 and US\$12,000,000 respectively (31 December 2022: non-deliverable foreign currency option contracts in respect of Renminbi and Indian Rupee with notional amount of RMB250,000,000 and US\$16,000,000 respectively).

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

The Group's gross gearing ratio, defined as its total interest-bearing bank borrowings divided by total assets, was 9.7% as at 30 June 2023 (31 December 2022: 12.7%).

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

USE OF PROCEEDS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

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

As at 30 June 2023, details of the amount of the utilized and unutilized net proceeds from the Placing 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 2022 HK\$'000	utilized during the Current Period HK\$'000	unutilized as at 30 June 2023 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	460,482	54,908	nil	N/A
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	120,349	17,027	33,469	by 30 June 2024
686,235		580,831	71,935	33,469	

* 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\$94,498,000 (31 December 2022: HK\$128,134,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had contingent liabilities of HK\$284,978,000 (31 December 2022: HK\$293,460,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 5,200 staffs, out of which 1,200 staffs were from ETL (31 December 2022: 5,300 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development costs, for the Current Period were HK\$501,492,000 (30 June 2022: HK\$527,185,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share schemes adopted by the Company and other members of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Current Period, the Company repurchased a total of 36,170,000 Shares on the Hong Kong Stock Exchange for an aggregate amount of approximately HK\$54,545,000. 27,450,000 of the repurchased Shares were cancelled during the Current Period and the remainder was cancelled subsequent to the Current Period. Accordingly, as at 30 June 2023, the total number of issued Shares in the Company was 2,777,894,668. Details of the share repurchases during the Current Period are as follows:

Month	Number of Shares repurchased	Purchase price per Share		Aggregate Amount paid HK\$'000
		Highest HK\$	Lowest HK\$	
March 2023	4,924,000	1.48	1.44	7,197
April 2023	14,024,000	1.65	1.45	22,205
May 2023	8,502,000	1.57	1.44	12,678
June 2023	8,720,000	1.47	1.34	12,465
Total	36,170,000			54,545

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

As at 30 June 2023, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Hong Kong 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	24.78
Mr. Zhang Yue Jun	(b)	–	228,225,410	228,225,410	8.21
Mr. Xu Huijun ("Mr. Xu")		11,000,000	–	11,000,000	0.39
Mr. Wu Tielong ("Mr. Wu")		2,342,049	–	2,342,049	0.08
Mr. Lau Siu Ki, Kevin ("Mr. Lau")		310,000	–	310,000	0.01

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Xu	19,000,000
Mr. Chang Fei Fu	7,000,000
Ms. Huo Xinru ("Ms. Huo")	7,000,000
Mr. Wu	5,000,000
Mr. Lau	200,000
Ms. Ng Yi Kum	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 and Ms. Huo beneficially holding approximately 20.96%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), and Mr. Wu beneficially holding approximately 17.68% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)[#] (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), both of which are subsidiaries of the Company, as at 30 June 2023, 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 Hong Kong 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 Hong Kong 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.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 16 to these interim condensed consolidated financial statements. Save for grants underlying these schemes, no equity-linked agreement was entered into by the Company subsisted at the end of the Current Period or any time during the Current Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "SHARE OPTION SCHEME AND SHARE AWARD SCHEME" above and in the share option scheme and share award scheme in note 16 to these interim condensed consolidated financial statements, at no time during the Current Period was the Company, any of its subsidiaries, the Company's holding company or any of the holding company's subsidiaries a party to any arrangement to enable the Director to acquire benefits by means of acquisition of Shares in or debenture of the Company or any other body corporate.

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

As at 30 June 2023, the following substantial shareholders of the Company (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 Hong Kong 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	24.41
Madam Chen Jing Na	(a)	Interest of spouse	688,479,468	24.78
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.21
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.21

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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, including the 678,115,129 Shares beneficially owned by Prime Choice Investments Limited.
- (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, including the 228,225,410 Shares beneficially owned by Wise Logic Investments Limited.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section headed "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 Hong Kong Stock Exchange.

COMPLIANCE WITH CODE PROVISIONS

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

DIRECTORS' BIOGRAPHICAL DETAILS

Upon enquiry by the Company, as at the date of this Interim Report, there is no change in the information of the Directors which required to be disclosed pursuant to Rule 13.51B of the Hong Kong Listing Rules since the publication of the Company's 2022 Annual Report.

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 not given any disagreement.

for identification purpose

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	5	3,228,189	3,042,518
Cost of sales		(2,379,204)	(2,195,392)
Gross profit		848,985	847,126
Other income and gains	5	186,821	81,611
Research and development expenses		(213,916)	(259,477)
Selling and distribution expenses		(254,003)	(265,088)
Administrative expenses		(208,762)	(214,880)
Other expenses		(150,102)	(87,574)
Finance costs	7	(30,107)	(21,653)
Share of profit of a joint venture		953	1,991
PROFIT BEFORE TAX	6	179,869	82,056
Income tax expense	8	(56,520)	(23,331)
PROFIT FOR THE PERIOD		123,349	58,725
Attributable to:			
Owners of the parent		112,178	90,384
Non-controlling interests		11,171	(31,659)
		123,349	58,725
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10		
Basic		HK4.04 cents	HK3.25 cents
Diluted		HK4.04 cents	HK3.25 cents

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
PROFIT FOR THE PERIOD	123,349	58,725
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(206,729)	(204,762)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(206,729)	(204,762)
Other comprehensive income/(loss) 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	22,481	(1,919)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	22,481	(1,919)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	(184,248)	(206,681)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(60,899)	(147,956)
Attributable to:		
Owners of the parent	(42,175)	(15,390)
Non-controlling interests	(18,724)	(132,566)
	(60,899)	(147,956)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,116,348	1,188,351
Right-of-use assets		189,283	191,400
Goodwill		242,773	242,773
Deferred tax assets		45,359	59,584
Intangible assets		687,367	726,145
Equity investments designated at fair value through other comprehensive income		101,460	76,314
Equity investments designated at fair value through profit or loss		101,996	89,871
Restricted bank deposits		25,171	27,078
Time deposits		172,854	350,861
Investment in a joint venture		4,977	6,390
Total non-current assets		2,687,588	2,958,767
CURRENT ASSETS			
Inventories	11	1,120,471	1,447,911
Trade receivables	12	3,838,525	3,862,632
Notes receivable		95,566	112,574
Prepayments, other receivables and other assets		447,996	430,572
Financial assets at fair value through profit or loss		2,509	17,500
Restricted bank deposits		69,327	101,056
Time deposits		162,450	113,181
Cash and cash equivalents		1,564,275	1,531,669
Total current assets		7,301,119	7,617,095

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

30 June 2023

		30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
	Notes		
CURRENT LIABILITIES			
Trade and bills payables	13	3,899,604	4,051,703
Other payables and accruals		594,902	571,506
Interest-bearing bank borrowings	14	968,025	751,993
Tax payable		95,472	71,407
Provision for product warranties		68,598	70,284
Total current liabilities		5,626,601	5,516,893
NET CURRENT ASSETS		1,674,518	2,100,202
TOTAL ASSETS LESS CURRENT LIABILITIES		4,362,106	5,058,969
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	–	590,000
Deferred government grant		20,315	15,856
Deferred tax liabilities		173,443	167,154
Lease liabilities		39,564	47,205
Redeemable preferred shares in a subsidiary		261,197	274,028
Total non-current liabilities		494,519	1,094,243
Net assets		3,867,587	3,964,726
EQUITY			
Equity attributable to owners of the parent			
Issued capital	15	277,791	278,020
Treasury shares		(34,538)	(22,818)
Reserves	17	3,383,791	3,473,103
		3,627,044	3,728,305
Non-controlling interests		240,543	236,421
Total equity		3,867,587	3,964,726

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent										Non-controlling interests HK\$'000	Total equity HK\$'000	
	Notes	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000			Retained profits HK\$'000
At 1 January 2022		277,892	(22,818)	1,484,138	101,498	45,480	68,396	211,071	265,544	26,985	1,376,530	3,774,716	4,183,817
Profit for the period		-	-	-	-	-	-	-	-	-	90,384	90,384	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)	(204,762)
Total comprehensive loss for the period		-	-	-	-	-	-	(103,855)	(1,919)	90,384	(15,390)	(147,956)	(147,956)
Share option scheme													
- value of services	16(a)	-	-	-	10,088	-	-	-	-	-	-	10,088	10,088
- exercise of share options		63	-	996	(290)	-	-	-	-	-	-	769	769
- transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	(42)	-	-	-	-	42	-	-	-
Share incentive scheme													
- value of services		-	-	-	14,574	-	-	-	-	-	-	14,574	14,574
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	(18,346)
Transfer to/from retained profits		-	-	-	-	(1,400)	1,398	-	-	-	2	-	-
At 30 June 2022 (audited)		277,955	(22,818)	1,485,134	125,828	45,480	66,996	212,469	101,689	25,066	1,446,938	3,784,757	4,023,946

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

For the six months ended 30 June 2023

	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 2023	278,020	(22,818)	1,486,391*	145,447*	45,480*	65,301*	214,285*	(63,865)*	41,131*	1,538,853*	3,728,305	236,421	3,964,726
Profit for the period	-	-	-	-	-	-	-	-	-	112,178	112,178	11,171	123,349
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	22,481	-	-	-	22,481
Exchange differences related to foreign operations	-	-	-	-	-	-	(176,834)	(176,834)	-	-	(176,834)	(29,895)	(206,729)
Total comprehensive loss for the period	-	-	-	-	-	-	(176,834)	(176,834)	22,481	112,178	(42,175)	(18,724)	(60,899)
Additional capital contribution to a subsidiary	-	-	(22,846)	-	-	-	-	-	-	-	(22,846)	22,846	-
Share option scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	-	-	-	5,096	-	-	-	-	-	-	5,096	-	5,096
- exercise of share options	-	-	-	(11,139)	-	-	-	-	-	-	(11,139)	-	(11,139)
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(402)	-	-	-	-	-	402	-	-	-
Share incentive scheme	-	-	-	-	-	-	-	-	-	-	-	-	-
- value of services	-	-	-	13,445	-	-	-	-	-	-	13,445	-	13,445
Final 2022 dividend	-	-	-	-	-	-	-	-	-	(30,556)	(30,556)	-	(30,556)
Shares repurchased	(2,745)	(117,200)	(39,193)	-	-	-	-	-	-	-	(3,658)	-	(3,658)
Transfer to/from retained profits	-	-	-	-	(1,508)	-	-	-	-	1,508	-	-	-
At 30 June 2023 (unaudited)	277,791	(34,538)	1,462,408*	152,447*	45,480*	63,873*	214,285*	(240,699)*	63,612*	1,622,385*	3,627,044	240,543	3,867,587

* These reserve accounts comprise the consolidated reserves of HK\$3,383,791,000 (31 December 2022: HK\$3,473,103,000) in the interim consolidated statement of financial position.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		179,869	82,056
Adjustments for:			
Interest income	5	(16,731)	(17,244)
Finance costs	7	30,107	21,653
Share of profit of a joint venture		(953)	(1,991)
Depreciation of property, plant and equipment	6	73,497	105,910
Depreciation of right-of-use assets	6	26,920	34,207
Amortization of intangible assets		75,759	87,368
Loss on disposal of items of property, plant and equipment	6	4,739	899
Equity-settled share option expense	6	5,096	10,088
Awarded share expense	6	13,445	14,574
Loss on fair value change of financial assets at fair value through profit or loss	6	13,766	1,748
Gain on fair value change of redeemable preferred shares in a subsidiary	5	(387)	(1,862)
Gain on equity investments designated at fair value through profit or loss	5	(16,984)	(1,134)
		388,143	336,272
Decrease/(increase) in inventories		261,595	(92,293)
Increase in trade receivables		(151,549)	(181,589)
Decrease/(increase) in notes receivable		11,889	(77,009)
(Increase)/decrease in prepayments, other receivables and other assets		(36,878)	100,486
Increase in trade and bills payables		32,156	30,942
Increase/(decrease) in other payables and accruals		33,573	(9,553)
Increase in deferred government grant		4,459	–
Increase in provision for product warranties		1,729	1,664
Cash generated from operations		545,117	108,920
Mainland China profits tax paid		(17,300)	(1,899)
Overseas profits taxes paid		(1,600)	(11,634)
Net cash flows from operating activities		526,217	95,387

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		16,731	17,244
Purchases of items of property, plant and equipment		(46,961)	(58,990)
Addition of intangible assets		(51,446)	(49,025)
Proceeds from disposal of items of property, plant and equipment		7,936	979
Proceeds from disposal of financial assets at fair value through profit or loss		1,225	–
Purchase of financial assets at fair value through profit or loss		–	(7,176)
Decrease in time deposits		107,635	–
Decrease/(increase) in restricted bank deposits		27,809	(17,880)
Net cash flows from/(used in) investing activities		62,929	(114,848)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		678,157	482,409
Repayment of bank loans		(1,031,962)	(299,085)
Proceeds from exercise of share options	15(ii)	29,433	769
Interest paid		(30,107)	(21,653)
Principal portion of lease payments		(22,670)	(31,955)
Dividend paid		(30,556)	–
Dividends paid to non-controlling shareholders		–	(11,422)
Payment for share repurchase		(53,658)	–
Net cash flows (used in)/from financing activities		(461,363)	119,063

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the six months ended 30 June 2023

	For the six months ended 30 June		
	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		127,783	99,602
Cash and cash equivalents at beginning of period		1,531,669	1,652,228
Effect of foreign exchange rate changes, net		(95,177)	(52,851)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		1,564,275	1,698,979
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,492,770	1,517,520
Non-pledged time deposits with original maturity of less than three months when acquired		71,505	181,459
Cash and cash equivalents as stated in the consolidated statement of financial position		1,564,275	1,698,979

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2023

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 Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

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

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and 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 2023

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

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

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

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

30 June 2023

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

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (Cont'd)

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any. The amendments did not have material impact on the financial position or performance of the Group.

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

30 June 2023

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

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (Cont'd)

- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

30 June 2023

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 2023	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	3,144,237	83,952	3,228,189
Profit/(loss) before tax	215,681	(35,812)	179,869
Segment assets	9,347,882	1,129,991	10,477,873
Elimination			(489,166)
Total assets			9,988,707
Segment liabilities	5,924,180	686,106	6,610,286
Elimination			(489,166)
Total liabilities			6,121,120

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

30 June 2023

4. OPERATING SEGMENT INFORMATION (Cont'd)

	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Period ended 30 June 2022			
Revenue	2,946,985	95,533	3,042,518
Profit/(loss) before tax	171,336	(89,280)	82,056
Year ended 31 December 2022			
Segment assets	9,897,386	1,209,873	11,107,259
Elimination			(531,397)
Total assets			10,575,862
Segment liabilities	6,395,152	747,381	7,142,533
Elimination			(531,397)
Total liabilities			6,611,136

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

30 June 2023

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

(a) Revenue from external customers

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Mainland China	2,125,601	2,159,485
Other countries/areas in Asia		
Pacific	475,562	349,593
Americas	284,957	263,708
European Union	304,206	211,531
Middle East	16,508	28,410
Other countries	21,355	29,791
	3,228,189	3,042,518

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

(b) Non-current assets

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Mainland China	1,610,702	1,806,171
Lao People's Democratic Republic	1,015,092	1,092,152
Other countries/regions	61,794	60,444
	2,687,588	2,958,767

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

30 June 2023

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

Revenue of approximately HK\$623,651,000 (six months ended 30 June 2022: HK\$846,311,000), HK\$526,620,000 (six months ended 30 June 2022: HK\$400,966,000) and HK\$212,713,000 (six months ended 30 June 2022: HK\$161,841,000) was derived from 3 major customers, which accounted for 19.3% (six months ended 30 June 2022: 27.8%), 16.3% (six months ended 30 June 2022: 13.2%) and 6.6% (six months ended 30 June 2022: 5.3%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	3,144,237	2,946,985
Provision of operator telecommunication services	83,952	95,533
	3,228,189	3,042,518

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

30 June 2023

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Type of customers		
PRC state-owned telecommunication operator groups	1,571,168	1,617,489
Other customers	1,657,021	1,425,029
Total revenue from contracts with customers	3,228,189	3,042,518

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Timing of revenue recognition		
Goods transferred at a point in time	3,144,237	2,946,985
Services transferred over time	83,952	95,533
Total revenue from contracts with customers	3,228,189	3,042,518

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

30 June 2023

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

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Other income and gains		
Bank interest income	16,731	17,244
Government subsidies [#]	29,305	37,712
Exchange gain, net	110,059	10,663
VAT refunds	2,352	2,649
Gross rental income	6,469	3,464
Gain on fair value change of redeemable preferred shares in a subsidiary	387	1,862
Gain on equity investment designated at fair value through profit or loss	16,984	1,134
Scrapped and recycled items sales income	512	1,112
Penalty income	835	2,193
Other miscellaneous income	3,187	3,578
	186,821	81,611

[#] 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 2023

6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold and services provided		2,349,923	2,187,776
Depreciation of property, plant and equipment ^{##}		73,497	105,910
Depreciation of right-of-use assets		26,920	34,207
Amortization of computer software, technology and operating license ^{##}		29,021	15,221
Research and development expenses:			
Deferred expenditure amortized		46,738	72,147
Current period expenditure		167,178	187,330
		213,916	259,477
Employee benefit expense (including directors' remuneration):			
Salaries and wages		429,203	448,626
Staff welfare expenses		19,670	18,801
Equity-settled share option expense	16(a)	5,096	10,088
Awarded share expenses	21(c)	13,445	14,574
Pension scheme contributions (defined contribution scheme) [#]		34,078	35,096
		501,492	527,185
Provision for product warranties [^]		7,499	9,030
Write-down of inventories to net realizable value [^]		17,531	283
Impairment of trade receivables and notes receivable ^{###}		84,980	18,047
Reversal of impairment of financial assets included in prepayments, other receivables and other assets ^{###}		(826)	(2,187)
Loss on disposal of items of property, plant and equipment ^{###}		4,739	899
Loss on fair value change of financial assets at fair value through profit or loss ^{###}		13,766	1,748

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

30 June 2023

6. PROFIT BEFORE TAX (Cont'd)

- [^] The provision for product warranties and write-down of inventories to net realizable value for the period were included in "Cost of sales" in the consolidated statement of profit or loss.
- [#] As at 30 June 2023, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2022: Nil).
- ^{##} The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$30,662,000 (six months ended 30 June 2022: HK\$55,905,000) and HK\$11,661,000 (six months ended 30 June 2022: 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 2023

7. FINANCE COSTS

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest on bank borrowings	27,062	20,617
Interest on lease liabilities	3,045	1,036
Total	30,107	21,653

8. INCOME TAX

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	1,566	–
Mainland China	37,657	11,036
Elsewhere	3,366	13,642
Current – underprovision in prior periods	1,379	217
Deferred	12,552	(1,564)
Total tax charge for the period	56,520	23,331

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

30 June 2023

8. INCOME TAX (Cont'd)

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

9. DIVIDENDS

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Final dividend declared and paid – 1.1 cent (2022: Nil) per ordinary share	30,556	–

Note:

On 24 August 2023, the board declared an interim dividend of HK1.2 cent (six months ended 30 June 2022: HK1 cent) per ordinary share, amounting to a total of approximately HK\$33,335,000 (six months ended 30 June 2022: HK\$27,795,000).

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

30 June 2023

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,779,029,000 (six months ended 30 June 2022:2,779,232,000) in issue during the period.

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

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

	For the six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	112,178	90,384

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

30 June 2023

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

	Number of shares For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculations	2,779,029,000	2,779,232,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	565,000	2,064,000
	2,779,594,000	2,781,296,000

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

30 June 2023

11. INVENTORIES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Raw materials	305,095	346,342
Project materials	29,706	26,659
Work in progress	58,373	71,661
Finished goods	362,170	483,697
Inventories on site	365,127	519,552
	1,120,471	1,447,911

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 2023

12. TRADE RECEIVABLES (Cont'd)

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	1,613,583	1,543,641
4 to 6 months	499,670	689,000
7 to 12 months	918,275	892,322
More than 1 year	1,558,219	1,426,736
	4,589,747	4,551,699
Provision for impairment	(751,222)	(689,067)
	3,838,525	3,862,632

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

30 June 2023

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 2023

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years 2 years		
Expected credit loss rate	1.66%	6.86%	20.85%	75.17%	
Gross carrying amount (HK\$'000)	3,041,357	532,562	182,981	832,847	4,589,747
Expected credit losses (HK\$'000)	50,498	36,532	38,144	626,048	751,222

As at 31 December 2022

	Current	Past due		Total	
		Less than 1 year	Over 1-2 years 2 years		
Expected credit loss rate	1.42%	6.44%	16.62%	68.78%	
Gross carrying amount (HK\$'000)	3,136,513	406,547	144,597	864,042	4,551,699
Expected credit losses (HK\$'000)	44,611	26,166	24,026	594,264	689,067

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

30 June 2023

13. TRADE AND BILLS PAYABLES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	1,589,868	1,552,379
4 to 6 months	655,604	958,155
7 to 12 months	877,811	631,437
More than 1 year	776,321	909,732
	3,899,604	4,051,703

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 2023

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	968,025	751,993
In the 2nd year	–	590,000
	968,025	1,341,993

As at 30 June 2023, loans denominated in Hong Kong dollars and RMB amounted to HK\$420,000,000 (31 December 2022: HK\$1,085,002,000) and HK\$548,025,000 (31 December 2022: HK\$256,991,000), 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.

During the six months ended 30 June 2023, certain transactions between subsidiaries of the Company were settled by bank bills. Bills are issued through inter-group transactions and the relevant group entities discounted the bills receivables to the bank. The Group had recognised the cash received of HK\$170,663,000 on the transfer of the bills receivables as bank borrowings (31 December 2022: Nil).

Bank loans as at 30 June 2023 bear interest at rates ranging from 1.65% to 7.66% (31 December 2022: from 1.45% to 7.09%) per annum.

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

30 June 2023

15. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
As at 1 January 2022		2,778,911,168	277,892
Exercise of share options	(i)	1,278,000	128
As at 31 December 2022 and 1 January 2023		2,780,189,168	278,020
Exercise of share options	(ii)	25,155,500	2,516
Cancellation of repurchased shares	(iii)	(27,450,000)	(2,745)
As at 30 June 2023		2,777,894,668	277,791

As at 30 June 2023, the total number of issued ordinary shares of the Company was 2,777,894,668 (31 December 2022: 2,780,189,168) shares which included 16,637,136 (31 December 2022: 16,637,136) shares held under the share award scheme adopted by the shareholders of the Company on 22 May 2023 (the "2023 Share Award Scheme") as transitioned from the previous share award scheme (the "2011 Share Award Scheme") which was adopted by the shareholders of the Company on 25 March 2011, renewed on 25 March 2021 and terminated on 22 May 2023 (note 16(b)).

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

30 June 2023

15. SHARE CAPITAL (Cont'd)

Notes:

- (i) During the year ended 31 December 2022, the subscription rights attaching to 1,240,000 share options and 38,000 share options were exercised at the exercise prices of HK\$1.17 per share and HK\$1.89 per share respectively, resulting in the issue of 1,278,000 shares of HK\$0.10 each for a total cash consideration (before expenses) of approximately HK\$1,523,000.
- (ii) During the six months ended 30 June 2023, the subscription rights attaching to 25,155,500 share options were exercised at the exercise price of HK\$1.17 per share, resulting in the issue of 25,155,500 shares of HK\$0.10 each for a total cash consideration (before expenses) of approximately HK\$29,433,000.
- (iii) During the six months ended 30 June 2023, the Company repurchased a total of 36,170,000 shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for an aggregate amount of approximately HK\$54,545,000 ranging from HK\$1.34 to HK\$1.65 per share. 27,450,000 of the repurchased shares were cancelled during the six months ended 30 June 2023, and the remainder was cancelled subsequent to 30 June 2023.

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

30 June 2023

16. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(a) SHARE OPTION SCHEME

A share option scheme (the “2013 Share Option Scheme”) was adopted by the shareholders of the Company on 3 June 2013 and terminated on 22 May 2023. Upon termination, no further options was granted but the provisions of the 2013 Share Option Scheme remained in full force and effect in respect of any options granted before its termination but not yet exercised.

The purpose of the 2013 Share Option 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 Share Option Scheme include (i) any directors (including independent non-executive directors) or employees of, or individual for the time being seconded to work for; (ii) any holders of any securities issued by; (iii) any business or joint venture partners, contractors, agents or representatives of; (iv) any 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) any investors, vendors, suppliers, developers or licensors of; or (vi) any customers, licencees (including sub-licensees), 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 Share Option Scheme, the 2011 Share Award Scheme (note 16(b)) and any other share schemes of the Company shall not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issued and to be issued upon exercise of share options granted to each eligible person under the 2013 Share Option Scheme and any other share schemes of the Company (including cancelled, exercised and outstanding share options) in any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

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

(a) SHARE OPTION SCHEME (Cont'd)

Share options granted under the 2013 Share Option Scheme to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval by the independent non-executive directors of the Company. In addition, any share options granted under the 2013 Share Option Scheme and any other share 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 a general meeting.

The offer of a grant of share options under the 2013 Share Option 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 Share Option Scheme is determined 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 grant of the share options. Generally, there is no specified minimum period prescribed under the 2013 Share Option Scheme for which share options must be held before they can be exercised in accordance with the terms of the 2013 Share Option Scheme. Please refer to the table below for details on the specific vesting period with respect to the share options granted under the 2013 Share Option Scheme.

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

The exercise price of the share options granted under the 2013 Share Option Scheme is determined 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 Hong Kong Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of the share options.

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

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Share Option Scheme during the six months ended 30 June 2023 are as follows:

Name or category of participant	Outstanding as at 1 January 2023	Number of share options					Outstanding as at 30 June 2023	Date of grant of share options ^a	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
		Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled during the period					
Executive directors											
Mr. Fok Tung Ling	-	-	-	-	-	-					
Mr. Zhang Yue Jun	-	-	-	-	-	-					
Mr. Xu Huijun	5,000,000	-	-	-	-	5,000,000	28 Aug 18	28 Aug 19– 27 Aug 23	1.300	-	
	10,000,000	-	-	-	-	10,000,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-	
	4,000,000	-	-	-	-	4,000,000	13 Apr 21	13 Apr 22– 12 Apr 26	2.030	-	
	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	1.520	
	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	-	(500,000)	-	-	7,000,000					
Mr. Bu Binlong (resigned with effect from 24 March 2023)	1,800,000	-	(1,800,000)	-	-	-	10 Apr 18	10 Apr 19– 9 Apr 23	1.170	1.480	
	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	-	(1,800,000)	-	-	7,000,000					

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Share Option Scheme during the six months ended 30 June 2023 are as follows: (Cont'd)

Name or category of participant	Outstanding as at 1 January 2023	Number of share options					Outstanding as at 30 June 2023	Date of grant of share options ^a	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
		Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled during the period					
Executive directors (Cont'd)											
Ms. Huo Xinnu	1,050,000	-	(1,050,000)	-	-	-	10 Apr 18	10 Apr 19–9 Apr 23	1.170	1.520	
	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	-	
	8,050,000	-	(1,050,000)	-	-	7,000,000					
Non-executive director											
Mr. Wu Tielong	1,800,000	-	(1,800,000)	-	-	-	10 Apr 18	10 Apr 19–9 Apr 23	1.170	1.460	
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-	
	6,800,000	-	(1,800,000)	-	-	5,000,000					

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

Movements in the number of the Company's share options under the 2013 Share Option Scheme during the six months ended 30 June 2023 are as follows: (Cont'd)

Name or category of participant	Outstanding as at 1 January 2023	Number of share options					Outstanding as at 30 June 2023	Date of grant of share options ^a	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
		Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled 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	1.460	
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-	
	250,000	-	(50,000)	-	-	200,000					
Dr. Lin Jin Tong (resigned with effect from 24 March 2023)	200,000	-	(200,000)	-	-	-	10 Apr 18	10 Apr 19– 9 Apr 23	1.170	1.460	
	200,000	-	-	-	-	200,000	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-	
	400,000	-	(200,000)	-	-	200,000					
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	20,442,000	-	(19,755,500)	(686,500)	-	-	10 Apr 18	10 Apr 19– 9 Apr 23	1.170	1.498	
	41,328,500	-	-	-	(338,000)	40,990,500	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-	
	38,820,000	-	-	-	(610,000)	38,210,000	13 Apr 21	13 Apr 22– 12 Apr 26	2.030	-	
	100,590,500	-	(19,755,500)	(686,500)	(948,000)	79,200,500				1.498	
	151,590,500	-	(25,155,500)	(686,500)	(948,000)	124,800,500					

* 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 2023

16. SHARE OPTION SCHEME AND SHARE AWARD 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 2023 is approximately HK\$5,096,000 (six months ended 30 June 2022: HK\$10,088,000).

At the end of the reporting period, the Company had 124,800,500 share options outstanding under the 2013 Share Option Scheme, of which 100,695,500 were vested and 24,105,000 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 124,800,500 additional ordinary shares of the Company and additional share capital of HK\$12,480,050 and share premium of HK\$227,192,000 (before issue expenses).

As at the date of approval of the condensed consolidated interim financial statements, the Company had 124,534,500 share options outstanding under the 2013 Share Option Scheme, representing approximately 4.50% of the Company's shares in issue as at that date.

A share option scheme (the "2023 Share Option Scheme") was adopted by the shareholders of the Company on 22 May 2023. Subject to early termination as may be determined by shareholders of the Company in general meeting, the 2023 Share Option Scheme shall be valid and effective for a period of ten years commencing from its date of adoption and is due to expire on 22 May 2033.

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

(a) SHARE OPTION SCHEME (Cont'd)

The purpose of the 2023 Share Option Scheme is to enable the board of directors of the Company (the "Board") to grant options to eligible participants as incentives or rewards for their contribution or potential contribution to the success of the Group's operations. Eligible participants of the 2023 Share Option Scheme include any director or employee (whether full time or part time, but explicitly excludes any former employee) of the Group, who is eligible to be granted option(s) under the 2023 Share Option Scheme (and including persons who are granted option(s) under the 2023 Share Option Scheme as an inducement to enter into employment contracts with these companies).

The maximum number of shares issued and to be issued in respect of all options and awards granted to each eligible participant under the 2023 Share Option Scheme and each Selected Participant (as defined below) under the 2023 Share Award Scheme respectively (excluding any options and awards lapsed in accordance with the terms of the share schemes of the Company) in any 12-month period (up to and including the date of such grant) 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.

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

Share options granted under the 2023 Share Option Scheme to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the grantee of the option). In addition, the maximum number of shares issued and to be issued in respect of all options and awards granted to each substantial shareholder or each independent non-executive director of the Company under the 2023 Share Option Scheme and the 2023 Share Award Scheme respectively (excluding any options and awards lapsed in accordance with the terms of the share schemes of the Company) in any 12-month period (up to and including the date of such grant) is limited to 0.1% 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.

An offer for the grant of options under the 2023 Share Option Scheme may be accepted at a total consideration of HK\$10 or such other amount as the Board may determine within 21 days inclusive of, and from, the day on which such offer was made (subject to any determination otherwise by the Board). In respect of any option granted under the 2023 Share Option Scheme, the period during which such option can be exercised subject to the terms of the 2023 Share Option Scheme, being the period commencing on such date on or after the date of grant of the option as the Board may determine when granting the option and expiring at the close of business on such date as the Board may determine when granting the option but in any event not exceeding ten years from the date of grant of the option. The vesting period of options granted under the 2023 Share Option Scheme shall be determined by the Board subject to a minimum period of not less than 12 months.

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

30 June 2023

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

(a) SHARE OPTION SCHEME (Cont'd)

The exercise price of the share options granted under the 2023 Share Option Scheme shall be determined by the Board in its discretion at the time of the grant of the relevant option but in any event shall be at least the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date of grant; and (ii) the average of the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant, subject to subsequent adjustments provided that the exercise price shall not be less than the nominal value of each share of the Company.

During the six months ended 30 June 2023, no options were outstanding, granted, exercised, vested, unvested, cancelled or lapsed in accordance with the terms of the 2023 Share Option Scheme.

(b) SHARE AWARD SCHEME

The 2011 Share Award Scheme was adopted by the shareholders of the Company on 25 March 2011, renewed on 25 March 2021 and terminated by the Board upon the shareholders' approval on the adoption of the 2023 Share Award Scheme at the annual general meeting of the Company held on 22 May 2023.

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

30 June 2023

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

(b) SHARE AWARD SCHEME (Cont'd)

The purpose of the 2011 Share Award Scheme is 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. The Selected Person(s) are those eligible person(s) ("Eligible Person(s)") selected by the Board for participation in the 2011 Share Award Scheme. Eligible Person(s) includes (i) any eligible person (whether full time or part time), executives, officers, directors (including executive, non-executive and independent non-executive directors) of the Group; (ii) any holder of any securities issued by any member of the Group or any controlling shareholder; (iii) any business or joint venture partner, contractor, agent or representative, any person provides research, development or technological support or any advisory, consultancy, professional services to the business of the Group, any investor, vendor, supplier, developer or licensor, any customer, licensee (including any sub-licensee), wholesaler, retailer, trader or distributor of goods or services of any member of the Group; which have contributed or will contribute to the growth and development of the Group. The 2011 Share Award Scheme excludes any Eligible Person who is resident in a place where the award of the awarded shares and/or the vesting and transfer of the awarded shares pursuant to the terms of the 2011 Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the remuneration committee of the Company and senior management of the Company (which shall include chairman and president and group financial controller of the Company) (the "Administration Committee") delegated with the power and authority by the Board to administer the 2011 Share Award Scheme or the trustee (the "Trustee") of the 2011 Share Award Scheme (as the case may be), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such Eligible Person.

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

(b) SHARE AWARD SCHEME (Cont'd)

Pursuant to the 2011 Share Award Scheme, the awarded shares may be (i) acquired by the Trustee and/or the Administration Committee at the cost of the Company at the prevailing market price and held on trust for the Selected Persons; or (ii) allotted and issued as new shares of the Company to the Trustee or Administration Committee under general mandates granted or to be granted by the shareholders at general meetings of the Company from time to time and held on trust for the Selected Persons.

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 2011 Share Award Scheme exceeding 5% of the issued share capital of the Company as at the date of adoption (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 2011 Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the date of adoption (or the refreshed or amended limit as approved by the shareholders in any general meeting 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 2011 Share Award Scheme and the exercise of all options to be granted under other share schemes of the Company (including the 2013 Share Option 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 2011 Share Award Scheme or the 2013 Share Option 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 2011 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 Share Option Scheme or any other share 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 2023

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

(b) SHARE AWARD SCHEME (Cont'd)

The awarded shares shall vest in accordance with the timetable and conditions as imposed by the Board at its absolute discretion in accorded with the terms of the 2011 Share Award Scheme.

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

During the six months ended 30 June 2023, no awarded shares held for Selected Persons were outstanding and no awarded shares were granted, vested, unvested, cancelled or lapsed in accordance with the terms of the 2011 Share Award Scheme.

The 2023 Share Award Scheme was adopted by the shareholders of the Company on 22 May 2023. Subject to early termination as may be determined by shareholders of the Company in general meeting, the 2023 Share Award Scheme shall be valid and effective for a period of ten years commencing on its date of adoption and is due to expire on 22 May 2033.

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

(b) SHARE AWARD SCHEME (Cont'd)

The purpose of the 2023 Share Award Scheme is to enable the Board to grant awards to certain directors and employees (the "Selected Participant(s)") of the Group to recognize the contributions by them to the Group 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. The Selected Participant(s) are those eligible participant(s) selected by the Board in accordance with the terms of the 2023 Share Award Scheme. Eligible participants of the 2023 Share Award Scheme include any director or employee (whether full time or part time, but explicitly excludes any former employee) of the Group, who is eligible to be granted award(s) under the 2023 Share Award Scheme (and including persons who are granted award(s) under the 2023 Share Award Scheme as an inducement to enter into employment contracts with these companies).

The maximum number of shares issued and to be issued in respect of all awards and options granted to each Selected Participant under the 2023 Share Award Scheme and each eligible participant under the 2023 Share Option Scheme respectively (excluding any awards or options lapsed in accordance with the terms of the share schemes of the Company) in any 12-month period (up to and including the date of such grant) is limited to 1% of the shares of the Company in issue at any time. Any further grant of awards in excess of this limit is subject to shareholders' approval in a general meeting.

Awards granted under the 2023 Share Award Scheme to a director, chief executive or substantial shareholder of the Company (or any of their respective associates) must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is the grantee of the award).

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

30 June 2023

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

(b) SHARE AWARD SCHEME (Cont'd)

The maximum number of shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the relevant share scheme pursuant to which they are granted) to each director of the Company (other than an independent non-executive director of the Company) or chief executive of the Company, or any of their associates, under all share schemes of the Company (excluding, for the avoidance of doubt, any grant of options) in any 12-month period (up to and including the date of such grant) is limited to 0.1% of the shares of the Company in issue at any time. Any further grant of awards (that involve issuance of new shares by the Company) in excess of this limit is subject to shareholders' approval in a general meeting.

The maximum number of shares issued and to be issued in respect of all awards and options granted (excluding any awards and options lapsed in accordance with the terms of the relevant share scheme pursuant to which they are granted) to each substantial shareholder of the Company or independent non-executive director of the Company (or any of their respective associates) under all share schemes of the Company in any 12-month period (up to and including the date of such grant) is limited to 0.1% of the shares of the Company in issue at any time. Any further grant of awards (that involve issuance of new shares by the Company) in excess of this limit is subject to shareholders' approval in a general meeting.

There is no amount payable by the Selected Participants on the acceptance of the awards. The vesting period of awards granted under the 2023 Share Award Scheme shall be determined by the Board subject to a minimum period of not less than 12 months.

During the six months ended 30 June 2023, no awarded shares were outstanding, granted, vested, unvested, cancelled or lapsed in accordance with the terms of the 2023 Share Award Scheme.

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

30 June 2023

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

(b) SHARE AWARD SCHEME (Cont'd)

Movements in the number of shares held for the 2023 Share Award Scheme/2011 Share Award Scheme are as follows:

	Number of shares held for	
	2011	2023
	Share Award Scheme	Share Award Scheme
As at 1 January 2022, 31 December 2022 and 1 January 2023	16,637,136	–
As at 30 June 2023	–	16,637,136

Taking into account share options granted under the 2013 Share Option Scheme (as refreshed in 2018) and awarded shares granted under the 2011 Share Award Scheme involving issuance of new shares, and the common scheme mandate limit shared by both the 2013 Share Option Scheme and the 2011 Share Award Scheme (i.e. not exceeding 10% of the number of issued shares of the Company as at 28 May 2018), the total number of new shares which may fall to be issued by the Company in connection with share options that may be granted under the 2013 Share Option Scheme and/or awarded shares involving issuance of new shares that may be granted under the 2011 Share Award Scheme as at 1 January 2023 and 30 June 2023 was 111,516,486 and nil respectively.

Taking into account the common scheme mandate limit shared by both the 2023 Share Option Scheme and the 2023 Share Award Scheme (i.e. not exceeding 10% of the number of issued shares of the Company as at 22 May 2023), the total number of new shares which may fall to be issued by the Company in connection with share options that may be granted under the 2023 Share Option Scheme and/or awarded shares involving issuance of new shares that may be granted under the 2023 Share Award Scheme as at 1 January 2023 and 30 June 2023 was nil and 280,534,466 respectively.

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

30 June 2023

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

(b) SHARE AWARD SCHEME (Cont'd)

As at the date of approval of the condensed consolidated interim financial statements:

- (i) the total number of shares available for issue under the 2013 Share Option Scheme and 2011 Share Award Scheme was 124,534,500 shares, representing approximately 4.50% of the Company's issued share capital.
- (ii) the total number of shares available for issue under the 2023 Share Option Scheme and 2023 Share Award Scheme was 280,534,466 shares, representing approximately 10.14% of the Company's issued share capital.

The number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the financial period divided by the weighted average number of shares in issue for the six months ended 30 June 2023 is zero.

17. RESERVES

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

18. CONTINGENT LIABILITIES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Guarantees given to banks in respect of performance bonds	284,978	293,460

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

30 June 2023

19. COMMITMENTS

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	15,069	13,139

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:

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

30 June 2023

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

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 2023 and 31 December 2022, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.38 to 11.75 (2022: 1.36 to 11.59)	10% (2022: 10%) increase/decrease in multiple would result in increase/decrease in fair value by HK\$9,247,000 (2022: HK\$9,467,000)
		Discount for lack of marketability	30% (2022: 30%)	10% (2022: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$3,992,000 (2022: HK\$3,700,000)
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2022: 5%) increase/decrease in fair value per share would result in increase/decrease in fair value by HK\$13,060,000 (2022: HK\$13,701,000)

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

30 June 2023

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 2023

	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 at fair value through profit or loss	-	2,509	-	2,509
Equity investments designated at fair value through other comprehensive income	-	89,890	11,570	101,460
Equity investments designated at fair value through profit or loss	-	14,165	87,831	101,996
	-	106,564	99,401	205,965

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

30 June 2023

**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 2022

	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 at fair value through profit or loss	–	17,500	–	17,500
Equity investments designated at fair value through other comprehensive income	–	64,791	11,523	76,314
Equity investments designated at fair value through profit or loss	–	5,660	84,211	89,871
	–	87,951	95,734	183,685

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

30 June 2023

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

FAIR VALUE HIERARCHY (Cont'd)

Assets measured at fair value: (Cont'd)

The movements in fair value measurements within Level 3 during the period are as follows:

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
At 1 January	95,734	13,670
Total gains/(losses) recognised in other comprehensive income	598	(2,559)
Total gains recognised in the statement of profit or loss included in other income	7,804	1,134
Exchange realignment	(4,735)	(565)
At 30 June	99,401	11,680

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

30 June 2023

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

FAIR VALUE HIERARCHY (Cont'd)

Liabilities measured at fair value:

As at 30 June 2023

	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	-	-	261,197	261,197

As at 31 December 2022

	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	-	-	274,028	274,028

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 2022: Nil).

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

30 June 2023

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term employee benefits	7,532	7,667
Pension scheme contributions	107	105
Equity-settled share option expense	1,175	2,663
Awarded share expenses	1,626	1,736
	10,440	12,171

(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 recognize their contributions.

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

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

30 June 2023

21. RELATED PARTY TRANSACTIONS (Cont'd)

(c) SHARE INCENTIVE SCHEME (Cont'd)

In June 2020, Comba Consulting has set up Xin Han Tong No.2, Xin Han Tong No.7 and Xin Han Tong No.8 (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, 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.

In June 2020, Comba Consulting has also set up Xin Han Tong No.1, Xin Han Tong No.3, Xin Han Tong No.5 and Xin Han Tong No.6 (the "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 in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. G Partnerships subscribed for and Comba Network issued certain new shares at the total consideration of RMB54,400,000.

21. RELATED PARTY TRANSACTIONS (Cont'd)

(c) SHARE INCENTIVE SCHEME (Cont'd)

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

On 23 March 2021, Comba Consulting has further set up Xin Han Tong No.9, Xin Han Tong No.10, Xin Han Tong No.11 and Xin Han Tong No.12 (collectively the "New G Partnerships") in the People's Republic of China under the New G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants under New G Partnerships consist of 174 employees of the Comba Network Group.

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

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

30 June 2023

21. RELATED PARTY TRANSACTIONS (Cont'd)

(c) SHARE INCENTIVE SCHEME (Cont'd)

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 2023, 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 Scheme of HK\$13,445,000 in the statement of profit or loss in the first half of 2023.

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

for identification purpose

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 24 August 2023.

By order of the Board
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman

Hong Kong, 24 August 2023

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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