Comba

京信通信系統控股有限公司

Comba Telecom Systems Holdings Limited

股份編號 Stock Code : 2342

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

創新業務，開拓商機
提升效率，優化經營

2014

ANNUAL REPORT 年報

COMPANY PROFILE
公司概況

Established in 1997 and listed on the Hong Kong Stock Exchange in 2003, Comba Telecom Systems Holdings Limited (the "Company") is a global leading wireless solutions provider with its own R&D facilities, manufacturing base and sales and service teams. Leading through innovative technology, the Company offers a comprehensive suite of products and services including wireless access, wireless enhancement, antennas and subsystems and wireless transmission to its global customers.

The Company has established its R&D headquarters based in Guangzhou Science City, three research institutions in Nanjing in China, Washington City and California in the USA respectively and has applied approximately 1,900 Chinese and international patents. Our global manufacturing base, located in Guangzhou, covers an area of approximately 80,000 square meters.

The Company has established more than 30 offices in China and more than 10 overseas offices worldwide, providing products and services in more than 80 countries and regions.

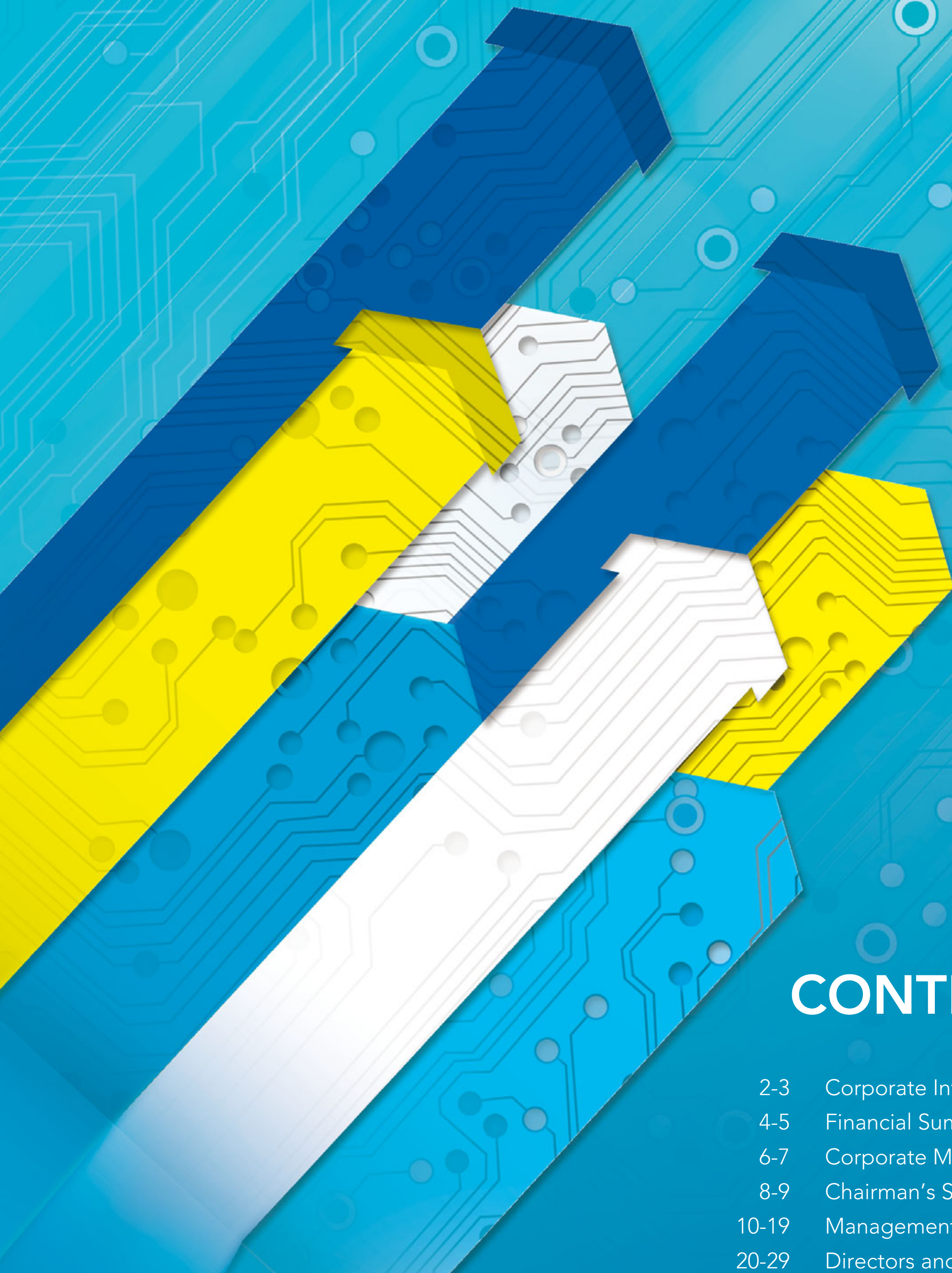
Since December 2003, the Company has been a constituent of the MSCI China Small Cap Index. In September 2009, the Company was named "Asia's 200 Best Under A Billion" by Forbes. In March 2010, the Company was included into the Hang Seng Composite Index Series (under the Information Technology category) and Hang Seng Composite Small Cap Index.

京信通信系統控股有限公司(「本公司」)成立於1997年，於2003年在香港聯交所主板上市，是一家全球領先並集研發、生產、銷售及服務於一體的無線解決方案供應商。憑藉創新科技，本公司為全球客戶提供無線接入、無線優化、天線及子系統、無線傳輸等多元化產品及服務。

本公司在中國廣州科學城設有總部研發基地，並在中國南京、美國弗吉尼亞州及加利福尼亞州分別設有研究所，已申請國內外專利約1,900項。在中國廣州經濟技術開發區，本公司建有全球生產基地，擁有約80,000平方米的通信設備製造廠房。

本公司在中國內地設有超過30多家分公司覆蓋整個中國市場，並在海外設有10餘個分支機構，於全球80多個國家和地區開展產品銷售和技術服務。

本公司於2003年12月獲納入MSCI中國小型股指數，於2009年9月獲《福布斯》選為「亞太區中小企200強」，並於2010年3月納入恒生綜合指數系列(信息技術分類方面)及恒生綜合小型股指數。



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CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

611 East Wing
No. 8 Science Park West Avenue
Hong Kong Science Park
Tai Po
Hong Kong

COMPANY SECRETARY

Tong Chak Wai, Wilson

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin *(Chairman)*
Liu Cai
Lin Jin Tong
Qian Ting Shuo

NOMINATION COMMITTEE

Liu Cai *(Chairman)*
Lau Siu Ki, Kevin
Lin Jin Tong
Qian Ting Shuo

AUTHORIZED REPRESENTATIVES

Fok Tung Ling
Tong Chak Wai, Wilson

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor Royal Bank House
24 Shedden Road George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai Hong Kong

PRINCIPAL BANKERS

China CITIC Bank International Limited
80 FL International Commerce Centre
1 Austin Road West
Kowloon Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
Level 10 HSBC Main Building
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Central Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

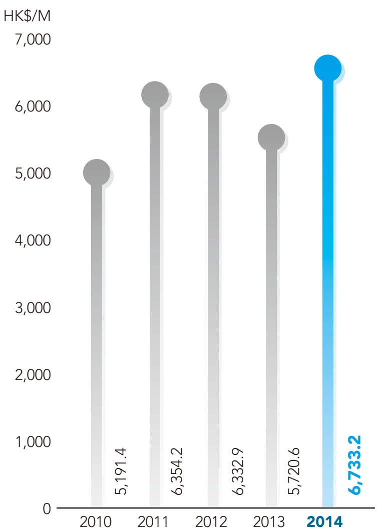
Bank of China Limited
Guangzhou Development Zone Branch
2 Qingnian Road GETD District
Guangzhou PRC

Industrial and Commercial Bank of China Limited
GETD District Sub-branch
No. 2 Xiangxue Road
Kaichuang High Road North
Guangzhou Science City Luogang District
Guangzhou PRC

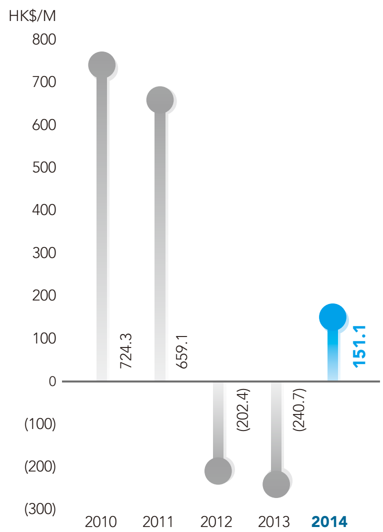
China Merchants Bank Co Ltd
Guangdong Branch Gaoxin Sub-branch
1 Huajing Road 1st Floor
Southern Communication Plaza
Guangzhou PRC

FINANCIAL SUMMARY

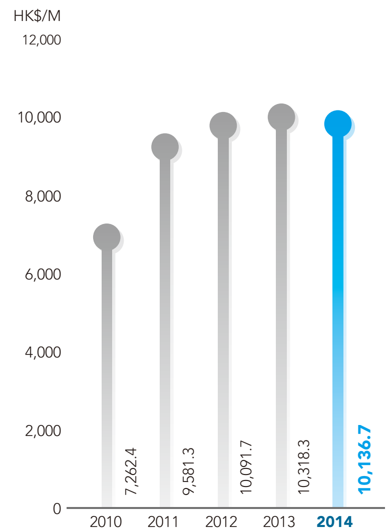
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT



TOTAL ASSETS



REVENUE BREAKDOWN BY BUSINESSES

▲ / ▼ = YoY change

▲ 16.5% Wireless Enhancement
17.0%

▼ 20.0% Wireless Access & Transmission
5.0%

▲ 40.2% Antennas & Subsystems
38.8%

▲ 7.5% Services
39.2%

REVENUE BREAKDOWN BY CUSTOMERS

▲ / ▼ = YoY change

▲ 7.6% China Mobile
47.7%

▲ 54.8% China Telecom
16.9%

▲ 14.0% China Unicom
14.1%

▲ 21.1% International Customers & Core Equipment Manufacturers
20.0%

▲ 50.9% Others
1.3%

FINANCIAL SUMMARY

For the year ended 31 December	2014 HK$'000	2013 HK$'000	Change
Revenue	6,733,214	5,720,599	17.7%
Gross profit	1,760,010	1,365,586	28.9%
Gross profit margin	26.1%	23.9%	2.2 pp
Operating profit/(loss)	263,199	(104,725)	351.3%
Profit/(loss) attributable to owners of the parent	151,061	(240,722)	162.8%
Net profit/(loss) margin	2.2%	(4.2%)	6.4 pp
Basic earnings/(loss) per share (HK cents)	9.04	(14.46) *(restated)*	162.5%
Paid interim dividend per ordinary share (HK cents)	1.2	0	N.A.
Proposed final dividend per ordinary share (HK cents)	1.3	0	N.A.
Total dividends per ordinary share (HK cents)	2.5	0	N.A.
Issued bonus shares (interim)	1 for 10	0	N.A.
Proposed bonus issue of shares (final)	1 for 10	0	N.A.
Operating cash flows	141,259	300,854	(53.0%)

KEY FINANCIAL FIGURES

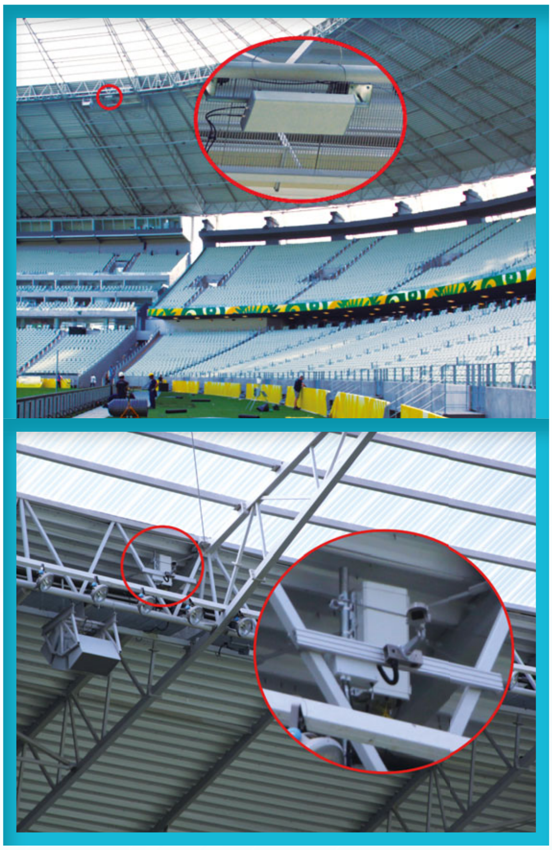
As at 31 December	2014 HK$'000	2013 HK$'000	Change
Total assets	10,136,732	10,318,277	(1.8%)
Net assets (before non-controlling interests)	3,709,791	3,673,796	1.0%
Net assets per share (HK dollars)*	2.21	2.19 *(restated)*	0.9%
Net (debt)/cash	(17,113)	108,575	(115.8%)
Cash and bank balances	1,633,911	1,666,651	(2.0%)
Inventory turnover days	164	188	(24) Days
A/R turnover days	244	294	(50) Days
A/P turnover days	267	298	(31) Days
Gross gearing ratio	16.3%	15.1%	1.2 pp
Dividend payout ratio**	27.7%	–	N.A.
Return on average equity	4.1%	(6.4%)	10.5 pp

* *Net assets per share as at 31 December 2013 was adjusted to reflect the bonus issue during the Current Year.*
** *Calculation is based on basic EPS.*

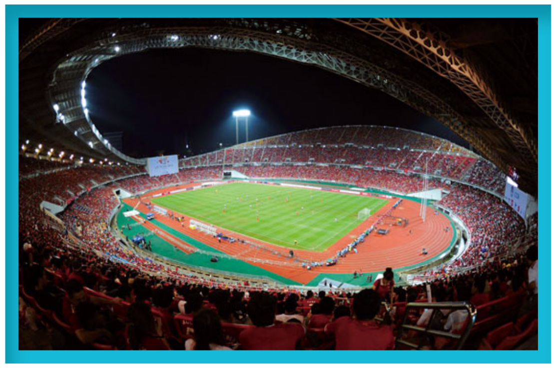
Achievement

▼ Coverage solution for Guangzhou Pazhou International Convention and Exhibition Center

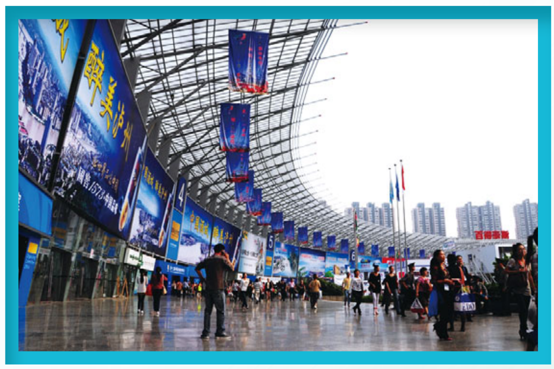
▼ Coverage solution for 2014 World Cup Brazil stadiums



▼ Coverage solution for 3G+LTE upgrade of large stadiums in Thailand



▼ Communications supporting solution for the Western China International Fair



Development

▶ First 5W IDAS device with high efficiency and high linearity

▼ The seventh generation of miniaturized antenna

▼ MDAS (Fiber Distribution System)

far-end

near-end and extension

▼ Production line expansion in Southern area of the Group

▼ 2nd generation Nanocell successfully launched

extended Nanocell

ceiling-mounted Nanocell

CHAIRMAN'S STATEMENT

On behalf of Comba Telecom Systems Holdings Limited (the "Company"), I am pleased to present to the shareholders the annual report of the Company and its subsidiaries ("Comba Telecom" or the "Group") for the year ended 31 December 2014 (the "Current Year").

The past year was full of challenges and opportunities. The mobile communications industry remained stable with the global economy continued its recovery, despite the worse-than-expected performance in certain countries. Driven by the proactive 4G network deployments by various mobile network operators around the globe, Comba Telecom successfully seized the opportunities and the Mainland China business significantly picked up during the Current Year. In addition, the international business was encouraging and continued to record a satisfactory growth with completion of a number of large international stadium projects during the Current Year. The Group recorded revenue of HK$6,733,214,000 for the Current Year, representing an increase of 17.7% as compared with the year ended 31 December 2013 (the "Prior Year"). At the same time, the Group adhered to an innovation-oriented approach and reform in order to actively press ahead with its business transformation. The Group also strived to enhance the overall gross profit margin by optimizing product mix and launching products with greater value. Through these efforts, together with effective cost control measures and enhanced operating efficiency, the Group successfully achieved a turnaround for the Current Year and recorded profit attributable to shareholders of HK$151,061,000.

In order to thank the shareholders for their long-term support, the board of directors of the Company (the "Board") recommended distributing a final dividend of HK1.3 cents per ordinary share. Combined with the distributed interim dividend of HK1.2 cents per ordinary share, the total dividends of the Company for the Current Year were HK2.5 cents per ordinary share. In addition, the Board also recommended issuing 1 new ordinary share of HK10 cents for every 10 ordinary shares held.

The mobile internet is penetrating various fields of our life as the digital era approaches. The emergence of

↑ 17.7%

REVENUE

HK$6,733,214,000

different types of mobile device applications, such as the mobile office, instant messaging, mobile payment, mobile E-commerce and social platform, is not only promoting the sustainable development of the mobile communications industry, but also tremendously changing the overall industry chain. The shift of consumers' focus from simple voice communication in the past to instantly access various types of information and services has resulted in higher demand for mobile network quality. Accordingly, seamless and fast network coverage has become the basic requirement for the development of mobile networks, which is driving the upgrade and transformation of traditional mobile communications. As a leading wireless solution provider, the Group's mission is to constantly provide innovative, differentiated and advanced solutions to its customers. In the past few years, as an innovation advocate proactively leading change, the Group has been committed to research and development, and have successfully launched a number of revolutionary products and solutions to help our customers provide more stable, reliable, effective and applicable mobile communications networks, thus enhancing the end-user experience and maximizing value for our customers. At present, the mobile networks have been evolving, LTE FDD licenses have been duly granted at the end of February this year following the issuance of TD-LTE licenses at the end of 2013 in Mainland China. Moreover, the Group believes that the future investments over the next few years by mobile network operators will transfer from such basic areas as network infrastructure and deployment to network optimization and network maintenance services, thus generating relatively more market opportunities. With many years of core technology advantages and a global leading position, the Group is confident to capitalize on these opportunities to enhance its performance and further promote its sustainable development.

Looking into 2015, despite macroeconomic and political uncertainties in some countries, it is believed that the wireless communications industry as one of the basic industries in a modern society will remain stable and healthy. We are pleased to see the initial success achieved for the business transformation strategy actively executed by the Group over the past two years. Entering 2015, the Group will continue to fully push forward its organizational reform and business transformation, further boost the innovative vitality, promote high-end production and enhance production efficiency. At the same time, the Group will continue to expand its business in the international market, while avoiding risk and improving efficiency, so as to strengthen its core competitiveness, achieve growth in profitability and maximize returns for its shareholders. Meanwhile, the Group will also strive to promote management reform and optimize its operation thereby enhancing its efficiency. Furthermore, the Group will strictly comply with the principles of business ethics and operate in accordance with the law, in order to establish a strong and powerful management system.

Lastly, on behalf of the Board, I would also like to express my profuse thanks to the shareholders for their continuing support and trust and to all the staff for their dedicated efforts.

Fok Tung Ling
Chairman
Hong Kong
25 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

REVENUE

2014 was a good year for many telecom equipment providers following the granting of 4G licenses in Mainland China at the end of 2013. For the year ended 31 December 2014 (the "Current Year"), Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") successfully marked a turnaround with revenue increasing 17.7% over that for the year ended 31 December 2013 (the "Prior Year"), amounting to HK$6,733,214,000 (2013: HK$5,720,599,000). The growth was mainly driven by the strong demand for certain telecom equipment for large-scale domestic 4G network deployments. In addition, business in international markets continued to record a satisfactory revenue growth in tandem which also contributed in part to the Group's overall results.

During the Current Year, revenue from mobile broadband (3G and 4G) projects amounted to HK$3,095,000,000 (3G revenue in 2013: HK$2,431,000,000), representing a significant increase of 27.3% over the Prior Year and accounting for 46.0% (3G revenue in 2013: 42.5%) of the Group's total revenue.

By customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") increased by 7.6% over the Prior Year to HK$3,209,402,000 (2013: HK$2,981,503,000), accounting for 47.7% of the Group's revenue in the Current Year (2013: 52.1%).

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased significantly

162.8%

NET PROFIT

HK$151,061,000

by 54.8% over the Prior Year to HK$1,137,773,000 (2013: HK$734,977,000), accounting for 16.9% of the Group's revenue in the Current Year (2013: 12.8%).

Revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the "China Unicom Group") increased by 14.0% over the Prior Year to HK$947,396,000 (2013: HK$831,117,000), accounting for 14.1% of the Group's revenue in the Current Year (2013: 14.5%).

Revenue generated from international customers and core equipment manufacturers increased notably by 21.1% over the Prior Year to HK$1,347,810,000 (2013: HK$1,112,795,000), accounting for 20.0% of the Group's revenue in the Current Year (2013: 19.5%). The growth was mainly attributable to the completion of a number of large wireless solutions projects in the overseas markets and the strong demand of 4G products from core equipment manufacturers.

By businesses

Revenue generated from the antennas and subsystems business increased significantly by 40.2% over the Prior Year to HK$2,616,403,000 (2013: HK$1,865,813,000), accounting for 38.8% (2013: 32.6%) of the Group's revenue in the Current Year. The increase in revenue was mainly due to a strong product demand for global 4G network build-outs.

Revenue generated from the wireless enhancement business in the Current Year increased by 16.5% over the Prior Year to HK$1,141,617,000 (2013: HK$980,051,000), accounting for 17.0% (2013: 17.1%) of the Group's revenue. The rise in revenue was mainly due to strong growth from the international markets and the gradual recovery of the wireless enhancement market in Mainland China. During the Year, mobile network operators resumed certain wireless projects in view of the growing need to maintain network quality under the pressure created by the dramatic data traffic growth.

Revenue generated from the wireless access and transmission business in the Current Year decreased by 20.0% over the Prior Year to HK$337,278,000 (2013: HK$421,355,000) and accounted for 5.0% (2013: 7.4%) of the Group's revenue. The decline in revenue of this business unit was mainly due to the declining mobile network operators' demand for Wi-Fi products while revenue from small cells increased significantly.

Revenue from services grew by 7.5% over the Prior Year to HK$2,637,916,000 (2013: HK$2,453,380,000), accounting for 39.2% (2013: 42.9%) of the Group's revenue in the Current Year. The increase was mainly attributable to the resumption of certain investment activities in the wireless enhancement market in Mainland China.

GROSS PROFIT

During the Current Year, the Group's gross profit increased by 28.9% over the Prior Year to HK$1,760,010,000 (2013: HK$1,365,586,000). Despite recording of HK$66,739,000 obsolete inventories write-off during the Current Year, the gross profit margin increased by 2.2 percentage points over the Prior Year to 26.1% in the Current Year (2013: 23.9%). The increase in gross profit margin was mainly due to the adjustment of product mix and improving gross profit margins of certain product categories.

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

RESEARCH AND DEVELOPMENT ("R&D") COSTS

During the Current Year, R&D costs decreased by 6.8% over the Prior Year to HK$192,986,000 (2013: HK$207,158,000), representing 2.9% (2013: 3.6%) of the Group's revenue. The decrease in R&D costs was mainly due to more centralization of R&D investments into the core businesses, strict control over new project initiations and stringent cost control measures adopted by the Group. The R&D investments of the Group become more efficient and cost effective to stay at the forefront of the latest technological innovation so as to take advantage of new business opportunities.

With its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with intellectual property rights and has applied for approximately 1,900 patents as at the end of the Current Year (As at 31 December 2013: more than 1,600 patents).

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Year, S&D expenses increased slightly by 0.8% over the Prior Year to HK$509,477,000 (2013: HK$505,566,000), representing 7.6% (2013: 8.8%) of the Group's revenue. The percentage of S&D expenses to the Group's revenue decreased as the Group successfully enhanced the operation efficiency to increase the scale of economies during the Current Year.

ADMINISTRATIVE EXPENSES

During the Current Year, administrative expenses stayed flat at HK$789,727,000 (2013: HK$788,888,000), representing 11.7% (2013: 13.8%) of the Group's revenue. The drop in percentage of administrative expenses to the Group's revenue fully revealed the Group's continued efforts to optimize the operational structure and human resources as well as to control the fixed costs.

AWARDED SHARE EXPENSES

On 12 April 2011, the board of directors (the "Board" or the "Directors") of the Company resolved to award 26,000,000 awarded shares to 365 selected persons under the share award scheme adopted by the Company on 25 March 2011, by way of issue and allotment of new shares pursuant to the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting held on 24 May 2010. These awarded shares were held in trust for the selected persons by the trustee appointed by the Company until the end of each vesting period. For these awarded shares, there are four vesting dates, which were 12 July 2011, 12 April 2012, 12 April 2013 and 12 April 2014. Upon each vesting date, those awarded shares were transferred at no cost to the selected persons.

The fair value of the 26,000,000 awarded shares was approximately HK$226 million, measured at the closing market price of HK$9.32 per share at the date of the grant and amortized over each of the vesting periods up to 12 April 2014. During the Current Year, the awarded shares expenses amounted to approximately HK$4,649,000.

FINANCE COSTS

During the Current Year, finance costs increased by 10.9% over the Prior Year to HK$61,147,000 (2013: HK$55,153,000), representing 0.9% (2013: 1.0%) of the Group's revenue. The increase in finance costs was mainly due to higher bank borrowing costs as a consequence of higher interest rates.

The management has constantly been prudent in managing credit risk and the level of bank borrowings as well as improving cash flow. To cope with the growth of the business, the management has closely monitored the latest developments of the financing market and has arranged the most appropriate financing for the Group. Under these circumstances, the Group has entered into a three-year term loan facility agreement amounting to US$125,000,000 (equivalent to HK$969,000,000) on 18 June 2014 with four international financial institutions, including The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited, China CITIC Bank International Limited and Hang Seng Bank Limited, for repayment of an existing loan of the Group as well as strengthening its working capital, enabling the implementation of its long-term development plan.

In addition, the management has utilized the advantages of interest and foreign exchange rates differentiation among different countries in order to minimize finance costs. As of 31 December 2014, the gross gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, stood at a manageable level of 16.3% compared to 15.1% as of 31 December 2013.

OTHER EXPENSES

The Group always seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. The credit terms for major customers and overdue balances are reviewed regularly by senior management.

The Group recognized and accrued an impairment loss of HK$57,719,000 (2013: HK$31,831,000) arisen from the trade receivables of certain overseas markets during the Current Year.

In addition, Comba Telecom Systems (China) Limited ("Comba China"), a wholly-owned subsidiary of the Group, received a criminal judgment from 廣州市天河區人民法院 (the Guangzhou City Tianhe District People's

Court#) (the "Court") on 15 January 2015. Pursuant to the judgment, Comba China was found guilty for bribery and a penalty of RMB200,000, which has been provided in the Current Year, was imposed by the Court against Comba China in respect of the bribes offered by a former employee of the Group.

The Board considers that the judgment has no immediate material financial effect on the Group as a whole and the daily business operations of the Group as a whole remain normal and are conducted in usual and ordinary manner. However, taking into consideration of the nature of the case and that the judgment may have negative impacts on the reputation of the Group and future operational activities of Comba China, thus, the Group has already taken appropriate actions against the judgment.

OPERATING PROFIT

During the Current Year, the operating profit before tax of the Group was HK$263,199,000 (2013: operating loss of HK$104,725,000) after deducting an exchange loss of HK$59,183,000 (2013: HK$52,371,000). The turnaround was attributable to: 1) the rapid 4G network deployment in Mainland China and the strong demand of mobile network solutions in the global market, resulting in a growth of the Group's revenue; 2) the improvement in gross profit margin; and 3) economies of scale and effective cost control measures, resulting in a decline in the operating expenses as a percentage of the Group's total revenue.

TAX

During the Current Year, the overall taxation charge of HK$47,532,000 (2013: HK$84,867,000) comprised a profits tax charge of HK$77,200,000 (2013: HK$65,524,000) and a deferred tax credit of HK$29,668,000 (2013: deferred tax charge of HK$19,343,000). The decrease in overall taxation charge was mainly due to the deferred tax credit arising from the unused tax losses carried forward from the Prior Year.

The English transliteration of the Chinese name in the annual report, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

Details of tax holiday and/or reduced tax rates enjoyed by major operating subsidiaries are set out in note 9 to the financial statements.

NET PROFIT

During the Current Year, the Group recorded profit attributable to owners of the parent ("Net Profit") of HK$151,061,000 (2013: Net Loss of HK$240,722,000) owing to the improvement in gross profit margin and lowering operating expenses as a percentage of the Group's total revenue.

DIVIDEND AND BONUS ISSUE

In view of the Group's operating results in 2014 and taking into consideration its long-term future development and interests of shareholders, in particular the interests of minority shareholders, the Board proposes a final dividend for 2014 of HK1.3 cents (2013: Nil) per ordinary share. Together with the interim dividend of HK1.2 cents (2013 interim: Nil) per ordinary share paid on 18 September 2014, the total dividend for the whole year is HK2.5 cents (2013: Nil) per ordinary share, and the total payout ratio, on the basis of basic earnings per share, is 27.7% (2013: Nil), in which the payout ratio for the final dividend is 14.4% (2013: Nil), and for the interim dividend is 13.3% (2013 interim: Nil).

In addition to the distribution of dividend, the Board also proposes to distribute 1 bonus share for every 10 existing ordinary shares held by shareholders whose names appear on the Company's share register on Wednesday, 10 June 2015 or such other date as may be determined by the Board (the "Record Date"). The relevant resolution(s) are to be proposed at the annual general meeting held on Wednesday, 3 June 2015 and if duly passed by shareholders, the dividend warrants, together with the share certificates for the bonus shares are to be dispatched on Thursday, 18 June 2015.

PROSPECTS

Looking forward in 2015, the mobile telecommunications industry will remain as a cornerstone of the economy and register a moderate growth despite the challenging global economic environment. A number of favorable factors which include the continuous uptake of mobile subscriptions, especially smartphone subscriptions, increased consumption of mobile data, evolution to new mobile networks, more new technologies, mobile applications and content, among others, help drive the sustainable development of the mobile telecommunications industry.

In terms of the mobile subscription base, the increase of global mobile subscriptions shows no sign of abating. As at 31 December 2014, the number of global mobile subscriptions exceeded 7.1 billion and is expected to top 9.5 billion by the end of 2020 according to the market estimates. With respect to the new networks and technologies, LTE networks were rolled out in full swing during 2014. By the end of 2014, more than 360 LTE networks have been commercially launched worldwide, compared to 264 in 2013. LTE network service subscription has reached 400 million globally. In Mainland China, with the increasing affordability of smartphones and the mobile network operators' desire to optimize the Average Revenue Per User Per Month (ARPU), strenuous efforts have been devoted to encouraging their customers to migrate to 4G services from 2G or 3G. As such, the number of LTE subscriptions has passed 90 million within only a year. More importantly, the hybrid network (TD-LTE and LTE FDD) trial has been carried out for several months in various cities of Mainland China with satisfactory results, and the industry chain also gradually comes to mature. Therefore, the Ministry of Industry and Information Technology ("MIIT") of Mainland China has just duly granted LTE FDD licenses to certain mobile network operators in February 2015, which would further promote the development of mobile communications market in the Mainland China to a large extent, while providing more opportunities for telecom equipment providers.

With faster new networks, the number of mobile broadband subscriptions has grown even more rapidly and data usage per subscriber has continued to expand expeditiously. In Mainland China, the amount of mobile broadband subscriptions has surged by more than 45% year-on-year, accounting for 40% of current total mobile subscriptions. With a greater proliferation of mobile devices and data-hungry applications, the rate of data traffic growth has far outstripped the increase in mobile subscriptions. It is expected that the momentum will be sustained in 2015.

In view of the growing mobile subscription base, loosening monetary policies, duly-issued new 4G licenses and the solid demand for faster and better quality of networks from end-users, more mobile network operators are willing to resume network optimization projects and increase capital investment for new network build-outs which in turn presents new opportunities for telecom equipment suppliers. On the international front, with global economic recovery at varying rates, increased political tensions and financial instability in certain countries, the Group will adjust the strategies and will place greater emphasis on the developed countries. More prudence will be exerted when expanding businesses overseas. In short, the management sees some good opportunities ahead but maintains a cautiously optimistic view towards the overall business growth in view of some underlying headwinds.

WIRELESS ACCESS

Considerable groundwork has been laid by the Group in the past few years as it has devoted relentless efforts to shape the small cell market moving forward. The Group understands the needs of the customers and also has the effective solutions in place to maximize the opportunities of small cell deployment.

In the year ahead, the Group will forge ahead and assist mobile network operators to build confidence in diversified small cell applications and augment the small cell deployment to hasten economies of scale. From addressing the bottlenecks of capacity and coverage to solving the matters of signal switching, interference management and power supply, small cell solutions could be applied to improve service agility, deliver a manageable service, reduce capex and opex of mobile network operators, and maximize the potential of mobile services, thus reaping real rewards in terms of revenue and customer loyalty. More mobile network operators are realizing the benefits of small cell deployment and some orders have been placed at the provincial level. During the Current Year, different types of small cells (2G, 3G and 4G) have been commercially launched in many provinces and cities in Mainland China. The Group will continue to execute this strategy going forward to expand the wireless access business.

ANTENNAS AND SUBSYSTEMS

Building on the strong momentum in 2014, it is expected that the antennas and subsystem business will stay prudently optimistic. The demand is primarily driven by the ongoing expansion of TD-LTE networks in Mainland China and expected large-scale LTE FDD network build-outs. As one of the major global suppliers of base station antennas, the Group is striving its utmost to seize potential opportunities.

WIRELESS ENHANCEMENT

It is expected that 4G build-outs will move forward to the network enhancement phase. With bigger scale of TD-LTE networks, LTE FDD licenses issuance, more mobile subscribers are expecting an increasingly ubiquitous higher speed mobile networks through which they can get connected anytime and anywhere. This expectation puts the onus on mobile network operators to strengthen their network optimization investment strategies with the aim to maintain customer loyalty, especially when the mobile networks are under increasing strain due to the explosive growth of data traffic.

The Group saw a revival to some degree in the wireless enhancement market since mid-2014 and the situation has continued to improve. The management expects the wireless enhancement market to further recover in 2015. To this end, on top of small cell solutions, the Group will make full use of its innovative capability to offer whatever solutions, such as MDAS, DAS, IDAS, among others, mobile network operators need to fit a diversity of end-users.

For the international markets, riding on the growing brand equity, market presence and a track record of diversified prestige project portfolio, the management expects international business performance will remain positive. To better rebalance the risks and opportunities, the Group is allocating more resources to deepen its market presence and grasp more opportunities in those developed markets with better economic shapes.

WIRELESS TRANSMISSION

Digital Microwave Systems

Engineered to meet the requirements of network evolution, the Group's new generation of digital and IP-based microwave backhaul solutions address several critical network challenges faced by mobile network operators by offering advanced functionality, higher capacity, greater flexibility and scalability, higher technological standards and more cost effectiveness. In view of the challenges faced by the mobile network operators as they migrate to LTE, the Group believes that its microwave solutions will continue to deliver a satisfactory performance in the year ahead.

Satellite communications

As a complement to a full-fledged wireless product portfolio, the Group offers high quality end-to-end satellite communications systems for emergency communications. During the Current Year, the Group assisted the customers in several large-scale events and natural disaster areas to provide satellite emergency communications to ensure secure, safe and reliable communications. It is expected that business will remain stable in the year ahead.

SERVICES

Service is of paramount importance to customers to ensure the network quality and stability in view of the rapidly growing number of subscribers and dramatic increase in data traffic. The Group is committed to providing mobile network operators the choices of solutions they require to offer the best services for their customers. During the Current Year, the Group took a series of bold steps to optimize the service business model with the aim to drive operational responsiveness, efficiency and effectiveness. In addition, a new team has been set up to centralize all project bids, project co-ordination, project management and resources allocation. Looking ahead, the Group will further explore ways in which to offer more high-end value-added services to its customers.

CONCLUSION

To conclude, the mobile telecommunications industry nowadays is experiencing an unprecedented pace of change as it encounters a diverse set of both opportunities and challenges. Against this backdrop, the Group believes an innovation-centric approach is the key to ride through headwinds and strong waves. In view of this, the Group began to execute the transformation plan two years ago to drive greater innovation and to further optimize the business mix ultimately aiming to enhance efficiency, liquidity and profitability. In the meantime, the Group has consistently adopted a prudent approach to ensure its financial position remains sound and healthy. After more than two years, the Group sees some good progress in the implementation of its strategy and will further strengthen its efforts to accelerate its transformation. Moving forward, the Group will take an active but cautious approach to advance business growth amid the market transition, and endeavour to create more value for our customers and investors alike.

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2014, the Group had net current assets of HK$3,331,883,000. Current assets comprised inventories of HK$2,234,857,000, trade receivables of HK$4,381,627,000, notes receivable of HK$149,684,000, prepayments, deposits and other receivables of HK$622,919,000, restricted bank deposits of HK$344,551,000 and cash and cash equivalents of HK$1,274,796,000. Current liabilities comprised trade and bills payables of HK$3,422,870,000, other payables and accruals of HK$1,177,630,000, interest-bearing bank borrowings of HK$972,635,000, tax payable of HK$25,553,000 and provisions for product warranties of HK$77,863,000.

The average receivable turnover for the Current Year was 244 days as compared to 294 days for the Prior Year. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain overseas customers which are granted with a longer credit term. Credit term is extendable to over 1 year depending on the credit worthiness of customers. Those retention money are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Year was 267 days compared to 298 days for the Prior Year. The average inventory turnover for the Current Year was 164 days compared to 188 days for the Prior Year.

As at 31 December 2014, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$") and United States dollars ("US$") while the Group's bank borrowings were mainly denominated in RMB, HK$ and US$. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group had entered into two 3-year term loan facility agreements with certain financial institutions respectively, one with facility amount of US$210,000,000 entered into on 26 June 2012 (the "2012 Facility Agreement") and the other with facility amount of US$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement", together with the 2012 Facility Agreement collectively known as the "Facility Agreements"). The loan balance under the 2012 Facility Agreement was fully repaid on 26 June 2014.

Under the Facility Agreements, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling shareholder of the Company, and Mr. Zhang Yue Jun, who is the substantial shareholder of the Company, shall maintain (i) beneficial ownership in aggregate, directly or indirectly, of at least 35% of the shares (of each class) of, and equity interests in the Company free from any security and (ii) the ability in leading the management in determining the directions of overall strategies and business development for the Group. At the date of approval of the audited consolidated financial statements, the loan balance under the 2012 Facility Agreement was fully repaid and the above specific performance obligations under the 2014 Facility Agreement have been complied with.

Details of the Facility Agreements are set out in note 26 to the financial statements.

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

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 16.3% as at 31 December 2014 (31 December 2013: 15.1%).

MATERIAL ACQUISITIONS AND DISPOSALS

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

RESTRICTED BANK DEPOSITS

Deposit balances of HK$359,115,000 (31 December 2013: HK$77,390,000) represented the restricted deposits given to banks in respect of bills payable, interest-bearing bank borrowings and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had contingent liabilities of HK$127,648,000 (31 December 2013: HK$98,555,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 8,400 staff. The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,163,971,000. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, and in accordance with the share option schemes and the share award scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in Hong Kong, the PRC or elsewhere in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fok Tung Ling (霍東齡), aged 58, is one of the founders of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). He is the chairman of the board of directors (the "Board") and the authorized representative of the Company. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director in certain subsidiaries of the Company. Mr. Fok is primarily responsible for leading the Board in determining the directions of the Group's overall strategies and business development. From 1982 to 1987, Mr. Fok worked as a technical engineer in the Microwave Telecommunications Main Station of the Guangdong Bureau of Post and Telecommunications (廣東省郵電局微波通信總站). In 1986, he graduated from Beijing Institute of Posts and Telecommunications (currently known as Beijing University of Posts and Telecommunications (北京郵電大學)), majoring in microwave communications. Prior to 1991, Mr. Fok worked as a marketing executive in China Electronics Import-Export Corporation, South China Branch (中國電子進出口總公司華南分公司) which was engaged in the import and export of electronic products. From 1991 to 1997, he was engaged in the trading of telecommunications and electronic equipment and components before co-founding the Group in 1997. Mr. Fok has over 33 years of experience in wireless communications. He is the sole director and shareholder of Prime Choice Investments Limited, which is a controlling shareholder of the Company.

Mr. Zhang Yue Jun

Mr. Zhang Yue Jun (張躍軍)

aged 56, is one of the founders of the Group. He is the vice chairman of the Board and president of the Group. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director in certain subsidiaries of the Company. Mr. Zhang is responsible for the Group's overall operation, management, business development, research and development of new technologies and products and supply chain system. Mr. Zhang graduated from South China Institute of Technology (currently known as South China University of Technology (華南理工大學)) in 1982 and obtained a bachelor's degree in wireless engineering. From 1982 to 1990, Mr. Zhang worked as a microwave telecommunications engineer in Nanjing and from 1990 to 1997, he was the deputy chief engineer of a joint venture company in Shenzhen and was mainly responsible for wireless telecommunications projects. Mr. Zhang has over 32 years of experience in wireless communications and he co-founded the Group in 1997. He is the sole director and shareholder of Wise Logic Investments Limited, which is a substantial shareholder of the Company.

Dr. Tong Chak Wai, Wilson (唐澤偉)

aged 43, is executive director of the Company and group chief financial officer. He is also the authorized representative and company secretary of the Company. He also holds various positions in the subsidiaries of the Company, including acting as director, supervisor, company secretary and financial controller in certain subsidiaries of the Company. Dr. Tong is mainly responsible for the overall daily financial management of the Group, as well as listed company related affairs such as investors and public relations, and company secretarial duties. Dr. Tong holds a doctor of business administration degree from The Hong Kong Polytechnic University, a master of business administration degree from University of San Francisco, a master's degree in economics from Murray State University, and a bachelor's degree in accounting from University of Southern California. He is a Fellow Certified Practising Accountant of CPA Australia, a member of The Institute of Chartered Accountants in England and Wales, a fellow member of the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Secretaries and Administrators and an associate of The Hong Kong Institute of Chartered Secretaries. Dr. Tong has over 20 years of experience in finance and legal work in the listed and multinational companies. He joined the Group in 2008.

Dr. Tong Chak Wai, Wilson

Mr. Zheng Guo Bao (鄭國寶)

aged 49, is executive director of the Company and the chief executive officer of WaveLab Holdings Limited, an indirect non wholly-owned subsidiary of the Company. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director in certain subsidiaries of the Company. Mr. Zheng is primarily responsible for the strategic development of the digital microwave systems products. He graduated from the University of Science and Technology of China (中國科學技術大學) and obtained bachelor's and master's degrees in electrical engineering. From 2000 to 2002, Mr. Zheng served as chief engineer in Filtronic Sigtek, Inc., Maryland USA. Before joining Filtronic Sigtek Inc., he worked as an engineering manager in wireless communications division of L3 Communications (former EER Systems, Inc.), Virginia USA. Mr. Zheng is a member of the Institute of Electrical and Electronics Engineers. He has over 28 years of experience in RF/microwave/millimeter-wave technology and wireless communications and specialized in the field of research and development. Mr. Zheng joined the Group in 2003.

Mr. Zheng Guo Bao

Mr. Yeung Pui Sang, Simon

Mr. Yeung Pui Sang, Simon (楊沛燊)

aged 42, is executive director of the Company and president of Comba Telecom Systems International Limited, an indirect wholly-owned subsidiary of the Company. He also acts as directors of certain subsidiaries of the Company. Prior to joining the Group, Mr. Yeung was the vice president of strategy & business development and a founding employee of LGC Wireless, Inc. ("LGC") based in the Silicon Valley, USA which was successfully acquired by ADC Telecommunications, Inc. and subsequently acquired by TE Connectivity, Ltd.. He also held various positions at LGC including the general manager of a business unit, director of technical marketing, general manager of Asia Pacific Region and principal engineer. Mr. Yeung holds a master of science degree in engineering from University of California at Berkeley and a bachelor of science degree in electrical engineering from Purdue University, the USA. He has over 19 years of experience in the telecom industry. Mr. Yeung joined the Group in 2004.

Mr. Zhang Yuan Jian

Mr. Zhang Yuan Jian (張遠見)

aged 57, is executive director of the Company. He is also the senior vice president of the Group and the director of the Central Research Institute of the Group. Mr. Zhang is in charge of the technical research of the Central Research Institute of the Group and the development initiative of new product lines. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director in certain subsidiaries of the Company. Mr. Zhang graduated from the University of Science and Technology of China (中國科學技術大學) and the Electronic Engineering Research Center of Nanjing (南京電子工程研究中心) (currently known as the Nanjing Institute of Electronic Technology (南京電子技術研究所)) and obtained a master's degree in microwave technology in 1984. He has over 31 years of experience in the technical research on wireless communications, product development and relevant management. Mr. Zhang joined the Group in 2004.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Cai (劉彩)

aged 74, is independent non-executive director of the Company. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Mr. Liu is the chairman of the Consultative Committee for Telecom Law Drafting of the Ministry of Information Industry. From 1988 to 2001, he worked with the former Ministry of Post and Telecommunications and the Ministry of Information Industry of the PRC (the "Ministries"). As the director-general of the Policy and Regulation Department of the Ministries, Mr. Liu was directly involved and responsible for policy formulation, reform planning, laws and regulations drafting for the telecommunications industry of the PRC. Before joining the Ministries in 1988, he was engaged in research and development works at the China Academy of Post and Telecommunications after graduating from Beijing Institute of Posts and Telecommunications (currently known as Beijing University of Posts and Telecommunications (北京郵電大學)). Mr. Liu has also been an independent director of China United Network Communications Limited since November 2009, with its A shares listed on the Shanghai Stock Exchange. He joined the Group in 2003.

Mr. Liu Cai

Mr. Lau Siu Ki, Kevin (劉紹基)

aged 56, is independent non-executive director of the Company. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Lau has over 30 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the world council of ACCA from 2002 to 2011 and was the Chairman of the Hong Kong Branch of ACCA for the year 2000/2001. He is also an independent non-executive director of seven other companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") namely TCL Communication Technology Holdings Limited, COL Capital Limited, FIH Mobile Limited, Samson Holding Ltd., Embry Holdings Limited, Binhai Investment Company Limited and UKF (Holdings) Limited. Mr. Lau has been appointed as an independent supervisor of the sixth session of the supervisory committee of Beijing Capital International Airport Company Limited, the shares of which are listed on the main board of the Stock Exchange, on 30 June 2014. He joined the Group in 2003.

Mr. Lau Siu Ki, Kevin

Dr. Lin Jin Tong (林金桐)

aged 69, is independent non-executive director of the Company. He is also the member of the audit committee, the remuneration committee and the nomination committee of the Company. Dr. Lin is currently a professor of Beijing University of Posts and Telecommunications ("BUPT") (北京郵電大學). He graduated from Peking University (北京大學) majoring in Physics, and obtained a master's degree in engineering from BUPT. Dr. Lin further obtained a doctorate degree in Philosophy and an honorary doctorate degree in Science from University of Southampton, UK. He has worked as lecturer, professor, department head, vice president of BUPT and was also the president of BUPT from 1998 to 2007. Dr. Lin was also a member of the 10th Beijing Municipal Committee of the Chinese People's Political Consultative Conference from 2003 to 2008. He was a deputy director-general of China Institute of Communications and is currently a fellow member of The Institution of Engineering and Technology. Dr. Lin has long been engaged in optical communication engineering, including research and teaching in the aspects of high-speed optical communication system and broadband optical access network. He is an independent director of Bright Oceans Inter-Telecom Corporation, the shares of which are listed on the Shanghai Stock Exchange. Dr. Lin had been an independent director of Jiangsu Tongguang Electronic Wire & Cable Co., Ltd, the shares of which are listed on the Shenzhen Stock Exchange, until his general retirement on 11 November 2014. He joined the Group in 2012.

Mr. Qian Ting Shuo (錢庭碩)

aged 66, is independent non-executive director of the Company. He is also the member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Qian is currently a secretary-general of Science and Technology Committee of Ministry of Industry and Information Technology. He graduated from Beijing University of Posts and Telecommunications (北京郵電大學) and obtained a bachelor's degree in engineering. Mr. Qian was the deputy director and vice-president of the Planning Institute of the Ministry of Post and Telecommunications of the PRC (later known as the Telecommunications Planning Research Institute of the Ministry of Post and Telecommunications), and was also the vice-president of China Academy of Telecommunication Research of the Ministry of Information Industry ("MII", currently known as the Ministry of Industry and Information Technology), the inspector and the deputy director-general of the Department of Overall Planning of the MII. He has extensive experience in the telecommunications industry and is familiar with the optical telecommunications technology and broadband development. Mr. Qian joined the Group in 2012.

SENIOR MANAGEMENT

Mr. Zhang Jin Yu, Charles (張金玉), aged 51, deputy financial controller of the Group, controller of the accounting management center and controller of the financial shared service center (PRC). Mr. Zhang is responsible for the daily management of the Group's accounting management center as well as the daily management of the financial shared service center (PRC). He is a member of the Certified General Accountants of Canada. He obtained a master's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in 1990 and a master of science degree in accounting from the University of New Haven in Connecticut, the United States of America in 1998. He has over 24 years of experience in accounting and financial management. He joined the Group in 2004.

Mr. Bu Bin Long (卜斌龍), aged 52, vice president and general manager of the Group's antenna and subsystem business unit in charge of the antenna products delivery center. Mr. Bu is responsible for the technology planning and product research & development, market strategy and product marketing, production operations and management of the Group's mobile communications base stations and antenna product lines of subsystems. Mr. Bu graduated in 1985 from Northwest Institute of Telecommunications Engineering (currently known as Xidian University (西安電子科技大學)) and obtained a master's degree in electronic magnetic field and microwave technology. Mr. Bu has over 29 years of technical research experience in the domain of satellite antennas and mobile communications antennas. He joined the Group in 2003.

Mr. Chen Sui Yang (陳遂陽), aged 51, vice president of the Group. Mr. Chen is mainly responsible for the operational management of the procurement center and public products delivery center of the Group. He graduated from the Northwest Institute of Telecommunications Engineering (currently known as Xidian University (西安電子科技大學)) and obtained a bachelor's degree in antenna technology in 1985. He has also obtained an EMBA degree in China Europe International Business School (CEIBS) (中歐國際工商學院). Mr. Chen has over 29 years of experience in technology research of wireless communications. He joined the Group in 1998.

Mr. Luo Rui Bo (駱瑞波), aged 40, vice president of the Group. Mr. Luo is responsible for the Group's human resource management. He graduated from Kunming University of Science and Technology (昆明理工大學) in 1998 and obtained a bachelor's degree in engineering, and obtained an EMBA degree in Sun Yat-Sen University (中山大學) in 2009. Mr. Luo has over 17 years of experience in human resource management and operational management of large enterprises. He joined the Group in 2005.

Mr. Du Feng (杜峰), aged 49, vice president of the Group and general manager of the marketing center. He is a national wireless engineer, and was a cadre at deputy regiment commander level before demobilization with rank of lieutenant-colonel. Mr. Du is responsible for the operation and management of the Group's product sales platform in the PRC. He completed his undergraduate studies at the Second Artillery Engineering University (第二炮兵工程學院) in 1997. Mr. Du has 18 years of experience in army administration and technical management, and 14 years of experience in market operation and branch office operational management in communications industries. He joined the Group in 2004.

Mr. Wu Tie Long (吳鐵龍), aged 51, vice president and general manager of the global service business unit of the Group. Mr. Wu is responsible for the construction, market operation and management of the Group's service business platform. He graduated from the Nanjing Institute of Communication Engineering (南京通信工程學院) in 1985 and obtained a bachelor's degree in communication engineering. He is an associate professor. Mr. Wu has over 11 years of experience in the operation and management in the market of communications. He joined the Group in 2003.

Ms. Li Yu Wen (李宇雯), aged 44, vice president of the group and controller of the treasury management center. Ms. Li is responsible for the business operation and management of the Group's process and IT management center, and the daily management of the treasury management center. She graduated from the Yunnan University (雲南大學) in 1992 and obtained a bachelor's degree in physics. She also obtained an EMBA degree from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in 2006. Ms. Li has over 22 years of experience in the markets of communication, operation and project management. Ms. Li served in the GMCC in engineering construction of wireless communications solution projects for many years. She joined the Group in 1997.

Mr. Deng Shi Qun (鄧世群), aged 33, general manager of the Group's wireless access business unit. Mr. Deng is responsible for the market operations as well as research & development and operations management of wireless access products. Mr. Deng graduated in 2007 from South China University of Technology (華南理工大學) and obtained a master's degree in circuits and systems. Mr. Deng has many years of technical research experience in the domain of wireless communications technology and computer networking technology. He joined the Group in 2005.

Mr. Lai Wen Qiang (賴文強), aged 37, vice president of the Group's central research institute. Mr. Lai is responsible for the technical research and product development of wireless access products at the central research institute. He obtained a bachelor's degree in telecommunications science and technology in 2000 and a master's degree in communications and information system in 2003 from Peking University (北京大學). Mr. Lai has many years of experience in technical research and development in the wireless communications area. He joined the Group in 2005.

Mr. Chen Jun (陳駿), aged 37, general manager of the Group's wireless enhancement products division. Mr. Chen is responsible for the market operations as well as research & development and operations management of wireless enhancement products of the Group. He completed the undergraduate studies in University of Electronic Science and Technology of China (電子科技大學) in 2000. Mr. Chen has 14 years of experience in the operation and management in the market of communications. He joined the Group in 2008.

Mr. Augustin Ping Chang (張平), aged 52, general manager of the Group's international branch in North America. Mr. Chang is responsible for the business development & R&D activities for high power amplifier in US & Canada. Prior to joining the Group, Mr. Chang was director of engineering at REMEC Inc. He also held various engineering management positions at Spectrian Inc. & Watkins-Johnson Company. Mr. Chang holds a master of science degree in electrical engineering from University of Illinois at Urbana-Champaign and a bachelor of science degree in electrical engineering from Carnegie-Mellon University. Mr. Chang has more than 29 years of experience in RF/microwave amplifier development, from ultra-broadband MMIC amplifier to high power linearized power amplifier for cellular base station. Mr. Chang has co-authored numerous papers in the fields of GaAs FET amplifiers, and holds a patent on high linearity multi-carrier RF amplifier. He joined the Group in 2005.

Mr. Brian Donohue, aged 51, vice president of Comba Telecom Systems International Limited, an indirect wholly owned subsidiary of the Company. Mr. Donohue is also business development & general manager of the Group's international branch in Europe. Mr. Donohue is responsible for business development and operations throughout Europe, Russia and CIS countries, as well as the business operations of international OEM sales. Mr. Donohue has over 30 years of experience in the telecommunications industry with more than 20 years of combined international business experience in Latin America, Europe and Asia. Prior to joining the Group, Mr. Donohue was senior managing director of CommScope based in Beijing, China where he lived for 10 years. He completed his undergraduate studies at Collin County College and attended University of Phoenix where he continued his graduate-level course work in business management. He was a member of MIMA (Midwest Industrial Management Association) where he holds a certificate in professional training and coaching. He joined the Group in 2010.

Mr. Johan Patrik Westfalk, aged 43, managing director of the Group's international branch in Caribbean & Latin America with headquarters in São Paulo, Brazil. Mr. Westfalk is responsible for all operations throughout the Latin American countries, including Brazil, Mexico as well as the Caribbean Islands. He holds a master of science degree in engineering physics from Chalmers University of Technology in Gothenburg, Sweden, specializing in electromagnetic fields and microwave antenna design and has also completed finance and accounting education at the Business School of São Paulo, Brazil. Mr. Westfalk has over 19 years of experience in the telecommunication industry and over 15 years of experience in making business in the Latin American markets. He joined the Group in 2006.

Mr. Li Xue Feng (李學鋒), aged 42, director of the group internal audit. Mr. Li is responsible for the group internal audit. He is a member of China Institute of Internal Audit. He is an individual member of the Chinese Institute of Certified Public Accountants and a Certified Internal Auditor. He graduated from Northeast Forestry University (東北林業大學) with a bachelor's degree in economics in 1997, obtaining a bachelor's degree in accounting, and obtained a MBA degree from Royal Roads University through further education. Mr. Li has over 18 years of experience in finance and internal audit from domestic and international companies. He joined the Group in 2010.

Ms. Ma Jing (馬靜), aged 32, director of product marketing of the Group's international markets. Ms. Ma is responsible for overseeing the strategies and development of the new solutions and product marketing. She graduated from Tsinghua University (清華大學) with a master degree in Information & Communications Engineering in 2007 and a bachelor's degree in Electrical Engineering & Automation in 2004. Ms. Ma has wide experience in product management, technical marketing and business development. She joined the Group in 2007.

Ms. Wong Siu Fan (黃少芬), aged 43, deputy financial controller of the Group, group finance. Ms. Wong is responsible for the group financial reporting, financial management and company secretarial duties of the Group. She holds a master of science degree in financial management from the University of London and a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University. Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants, an associate of the Institute of Chartered Secretaries and Administrators and an associate of The Hong Kong Institute of Chartered Secretaries. She has over 20 years of experience in auditing, accounting, corporate finance and company secretarial in the international accounting firm and listed companies. She joined the Group in 2004.

Ms. Ip Choi Lin (葉彩蓮), aged 44, deputy director of the Group, group human resources. Ms. Ip is responsible for the overall human resources for the Group's headquarters in Hong Kong; in charge of the overall human resources for the global businesses of the Group's international operations and also for the R&D center in USA under the Group's central research institute. She holds a bachelor of business administration degree from Newport University (currently known as Janus University), USA and a master of business administration degree from University of Management & Technology, USA. Ms. Ip has over 21 years of experience in the HR development and management. She joined the Group in 2010.

Mr. Di Ying Jie (邸英傑), aged 53, technical expert of microwave RF passive accessories and senior research supervisor of the Group. Mr. Di is responsible for the Group's research and product development works concerning microwave RF passive accessories. He graduated from Xidian University (西安電子科技大學), majoring in electronic magnetic field and microwave technology and obtained his doctorate degree in engineering. He was subsequently engaged in the post-doctorate research work with the University of Birmingham in the United Kingdom (英國伯明罕大學). Mr. Di has been engaged in design and research of microwave RF accessories for many years. Mr. Di also has wide experience in product development of microwave RF passive accessories. He joined the Group in 2004.

Ms. Carol Ka Ye (葉卡), aged 48, the deputy general manager of the Group's Antenna and Subsystem Business Unit. Ms. Ye is responsible for product marketing including market strategy and development, products management and business development for the Group's international operations. She graduated from National University of Singapore with the master degree of Electronic Engineering, and specialized in Microwave and Antenna design. Ms. Ye has more than 19 years of working experiences in product management, business development and network planning in Telecommunication industry. She joined the group in 2005.

Mr. Sin Cheuk Lok, Christopus (冼卓犖), aged 45, deputy financial controller of the Group. Mr. Sin is responsible for the accounting and financial management of the Group's international operations. He holds a master of business administration degree from the University of South Australia and a bachelor's degree in business administration from the University of Western Sydney. Mr. Sin is a Certified Tax Advisor and fellow member of both the Hong Kong Institutes of Certified Public Accountants and the Association of Chartered Certified Accountants. He has over 21 years of experience in auditing, accounting and financial management in accounting firm and listed companies. He joined the Group in 2012.

Mr. Pan Shuan Long (潘栓龍), aged 50, deputy general manager of the Group's wireless enhancement products business unit. Mr. Pan is responsible for the research and development and technology management of the Group's power amplifiers and related products with respect to active products. Mr. Pan obtained his bachelor's degree in automated controls from Lanzhou Railway University (currently known as Lanzhou Jiaotong University (蘭州交通大學)) in 1985. Mr. Pan has 29 years of experience in technology research and development in the mobile communications sector. He joined the Group in 2002.

Mr. Wang Liang (王梁), aged 34, deputy director of the Group's process and IT management division. Mr. Wang is responsible for building and optimizing the Group's process system and process management mechanism, as well as the Group's IT information construction and management. He completed the undergraduate studies in Central South University (中南大學) in 2005, majoring in information management and information system. Mr. Wang has 10 years of experience in the process optimization and construction and management of information system. He joined the Group in 2008.

Mr. Chen Liang (陳亮), aged 40, general manager of procurement center and director of procurement certification center of the Group. Mr. Chen is responsible for the daily management of the Group's procurement center. He graduated from Shanghai University (上海大學) in 1998, majoring in communications and information engineering, and obtained an EMBA degree in Beijing University of Posts and Telecommunications (北京郵電大學) in 2014. Mr. Chen has 17 years of experience in the technical research, product development and corporate management in the wireless communications area. He joined the Group in 1998.

Mr. Wang Hui (汪輝), aged 53, director of the antenna products delivery center of the Group. Mr. Wang is responsible for the production operations and management of the antenna product lines of the Group. He completed the undergraduate studies in Chongqing University (重慶大學) in 1984. Mr. Wang has 31 years of experience in the technology and production management in mechanical and communications industries. He joined the Group in 2010.

Mr. Xu Chuan Min (徐傳民), aged 36, director of the public products delivery center of the Group. Mr. Xu is responsible for the production management of the Group's wireless enhancement, wireless access related products and the introduction of new products. He completed the higher diploma studies in Shandong University (山東大學) in 2002, completed the undergraduate studies in Shandong University in 2008, graduated from Huazhong University of Science and Technology (華中科技大學) with MBA in 2013 and obtained an EMBA degree. Mr. Xu has 12 years of experience in the production, operation and management in communications industries. He joined the Group in 2002.

Mr. Zhang Jian Feng (張劍鋒), aged 39, deputy director of the accounting management center (PRC) of the Group. Mr. Zhang is responsible for the accounting work of the Group's branches in the PRC. He completed the undergraduate studies in Central South University (中南大學) in 1999 and obtained a bachelor's degree in management. Mr. Zhang has 16 years of experience in accounting and financial management in communications industries. He joined the Group in 2005.

CORPORATE GOVERNANCE REPORT

Comba Telecom Systems Holdings Limited (the "Company") is continuously committed to achieving high standards of corporate governance to ensure transparency and accountability. It believes that corporate governance is crucial to the development of the Company and its subsidiaries (collectively referred to as the "Group") and helps safeguard the interests of the Company's shareholders (the "Shareholders").

The board of directors of the Company (the "Board") reviewed daily governance of the Company from time to time in accordance with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and considered that, from 1 January 2014 to the date of this report, the Company has complied with the Code Provisions. The key corporate governance principles and practices of the Company are summarized as follows:

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its directors (the "Director(s)"). Specific enquiries have been made to all Directors, and they have confirmed that they have complied with the required standard as set out in the Model Code and the code of conduct from 1 January 2014 to the date of this report.

BOARD OF DIRECTORS

BOARD COMPOSITION

As at the date of this report, the Board comprises 10 Directors, of whom 6 are executive Directors and 4 are independent non-executive Directors. Mr. Lau Siu Ki, Kevin, an independent non-executive Director, has the appropriate accounting qualification or related financial management expertise as required under rule 3.10(2) of the Listing Rules.

The composition of the Board represents a mixture of expertise specializing in management, wireless communications and telecommunications industry, accounts and finance, and research and development. As at the date of this report, the Board members have no financial, business, family or other material/relevant relationships with each other.

Details of the composition of the Board, by category of Directors, including names of chairman, executive Directors, independent non-executive Directors and their respective experience and qualifications with specific responsibilities assigned to enhance the effectiveness of the Company are included in the section "Directors and Senior Management" of the annual report.

BOARD MEETINGS

For the year ended 31 December 2014 (the "Current Year"), there were eight board meetings, an annual general meeting and an extraordinary general meeting held and attendance of each Director at the board meetings and the general meetings (either in person or by telephone conference) is set out as follows:

Name of Directors	Number of board meetings attended/ Total number of board meetings held	Number of general meeting(s) attended/ Total number of general meetings held
Executive Directors:		
Mr. Fok Tung Ling *(Chairman)*	8/8	2/2
Mr. Zhang Yue Jun *(Vice Chairman & President)*	8/8	2/2
Dr. Tong Chak Wai, Wilson	8/8	2/2
Mr. Wu Jiang Cheng (retired on 26 August 2014)	8/8 (Note 1)	1/1 (Note 1)
Mr. Yan Ji Ci (retired on 26 August 2014)	8/8 (Note 1)	1/1 (Note 1)
Mr. Zheng Guo Bao	7/8	2/2
Mr. Yeung Pui Sang, Simon	7/8	2/2
Mr. Zhang Yuan Jian	8/8	2/2
Independent non-executive Directors:		
Mr. Liu Cai	7/8	2/2
Mr. Lau Siu Ki, Kevin	7/8	2/2
Dr. Lin Jin Tong	8/8	2/2
Mr. Qian Ting Shuo	8/8	2/2

Note 1: There were eight board meetings and an annual general meeting held between 1 January 2014 to 26 August 2014.

The Board is responsible for formulating corporate strategies, approving overall business plans and overseeing the Group's financial performance, management and organization on behalf of the Shareholders.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties under the terms of reference in Code Provision D.3.1. During the Current Year, the Board reviewed and monitored the training and continuous professional development of Directors and senior management; and reviewed and approved the compliance with the Code Provisions and disclosure in the corporate governance report contained in the Company's 2013 annual report.

MANAGEMENT FUNCTIONS

In general, specific tasks that the Board delegates to the Group's management include the preparation of annual and interim financial statements for the Board's approval before public reporting; the implementation of strategies approved by the Board; the monitoring of operating budgets; the implementation of internal control procedures; and ensuring compliance with relevant statutory requirements and other rules and regulations.

INDUCTION AND CONTINUING DEVELOPMENT FOR DIRECTORS

During the Current Year, the Company has organized one training session to all Directors conducted by qualified professionals on the update of the major amendments to the Listing Rules including but not limited to the amendments to Chapter 14A of the Listing Rules. All Directors attended the same to develop and refresh their knowledge and skills. All Directors have provided records of the training they received to the Company.

In addition, Dr. Tong Chak Wai, Wilson, an executive Director and the company secretary of the Company, has undertaken not less than 15 hours of relevant professional training during the Current Year in compliance with rule 3.29 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

The role of chairman and chief executive of the Company are clearly segregated and performed by two executive Directors.

Mr. Fok Tung Ling is the chairman of the Board and Mr. Zhang Yue Jun is the vice chairman of the Board and president of the Group. The chairman is primarily responsible for leading the Board in determining the directions of the Group's overall strategies and business development while the vice chairman and president as chief executive is responsible for the Group's overall operation, management, business development, research and development of new technologies and products and supply chain system.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has entered into a letter of appointment with each of the independent non-executive Directors. Pursuant to such letter of appointment, each of them is appointed for a fixed term of directorship of not more than three years and is subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

The chairman held a meeting with all independent non-executive Directors without the presence of any executive Directors during the Current Year for discussing, inter alia, Directors' time commitments and contribution in performing their responsibilities to the Company.

REMUNERATION COMMITTEE

A remuneration committee of the Company (the "Remuneration Committee") comprises four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Mr. Liu Cai, Dr. Lin Jin Tong and Mr. Qian Ting Shuo. The chairman of the Remuneration Committee is Mr. Lau Siu Ki, Kevin. The terms of reference of the Remuneration Committee are available on the respective websites of the Stock Exchange and the Company.

The main duties and responsibilities of the Remuneration Committee are to advise the Board on the remuneration policy for all Directors and senior management, to review and recommend to the Board on the remuneration packages and any compensation arrangements made to the Directors and senior management and to review the terms of service contracts of Directors.

During the Current Year, there were three remuneration committee meetings held at which, inter alia, the remuneration packages of all Directors, ex-Directors and senior management were discussed and made recommendation to the Board; and the grant of share options under the share option scheme adopted by the Company on 3 June 2013 was proposed and made recommendation to the Board. The fees of the Directors are subject to the Shareholders' approval at general meetings of the Company. Other emoluments, including share options and awarded shares, are reviewed by the Remuneration Committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the remuneration payable to the Directors are set out in note 8 to the financial statements.

The remuneration, including sales commissions, equity-settled share option expense and awarded share expense, of the senior management by band for the Current Year is set out below:

Remuneration bands (HK$)	Number of person(s)
Nil to 1,000,000	12
1,000,001 to 2,000,000	8
2,000,001 to 3,000,000	5
Over 6,000,000	1

Attendance of each member of Remuneration Committee at the remuneration committee meetings held during the Current Year is set out as follows:

Members of Remuneration Committee	Number of meetings attended/ Total number of meetings held
Mr. Lau Siu Ki, Kevin	2/3
Mr. Liu Cai	3/3
Dr. Lin Jin Tong	3/3
Mr. Qian Ting Shuo	3/3

NOMINATION COMMITTEE

A nomination committee of the Company (the "Nomination Committee") comprises four independent non-executive Directors, being Mr. Liu Cai, Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong and Mr. Qian Ting Shuo. The chairman of the Nomination Committee is Mr. Liu Cai. The terms of reference of the Nomination Committee are available on the respective websites of the Stock Exchange and the Company.

The main duties and responsibilities of the Nomination Committee are to formulate nomination policy for the consideration of the Board and to implement the Board's approved nomination policy.

During the Current Year, there were two nomination committee meetings held to, inter alia, review the structure, size and composition of the Board; assess the independence of the independent non-executive Directors; review the implementation and effectiveness of the board diversity policy; and make recommendation on the composition of the Board relating to the retirement of Directors.

ASSESSMENT OF INDEPENDENCE

In assessing the independence of a non-executive Director, the Nomination Committee would take into account of the independence guidelines as set out in rule 3.13 of the Listing Rules together with the annual written independence confirmations and considered that, although Messrs. Liu Cai and Lau Siu Ki, Kevin each has served the Company as independent non-executive Director for more than nine years, they do not have any management role in the Company. In view of Mr. Liu Cai's extensive experience in telecommunications industry and Mr. Lau Siu Ki, Kevin's professional qualifications and extensive experience in the financial advisory field, the Nomination Committee considered that they have continuously contributed to the Company and the Board with their relevant experience and knowledge throughout their years of service and they maintained to provide constructive contributions and an independent view in relation to the Company's affairs.

SUMMARY OF BOARD DIVERSITY POLICY

The board diversity policy aims to set out the approach to achieve diversity on the Board. The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All appointments of the Board will be based on meritocracy with due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Attendance of each member of Nomination Committee at the nomination committee meetings held during the Current Year is set out as follows:

Members of Nomination Committee	Number of meetings attended/ Total number of meetings held
Mr. Liu Cai	2/2
Mr. Lau Siu Ki, Kevin	2/2
Dr. Lin Jin Tong	2/2
Mr. Qian Ting Shuo	2/2

AUDIT COMMITTEE

An audit committee of the Company (the "Audit Committee") comprises four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Mr. Liu Cai, Dr. Lin Jin Tong and Mr. Qian Ting Shuo. The chairman of the Audit Committee is Mr. Lau Siu Ki, Kevin. The terms of reference of the Audit Committee are available on the respective websites of the Stock Exchange and the Company.

The main duties and responsibilities of the Audit Committee are to review the completeness, accuracy and fairness of the Company's financial statements, the Company's financial reporting system and internal control procedures, the scope and nature of the external audit and matters concerning the engagement of external auditors.

During the Current Year, there were two audit committee meetings held to, inter alia, review the Group's financial statements such as interim results and annual results, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and the internal control system and related issues.

Attendance of each member of Audit Committee at the audit committee meetings held during the Current Year is set out as follows:

Members of Audit Committee	Number of meetings attended/ Total number of meetings held
Mr. Lau Siu Ki, Kevin	2/2
Mr. Liu Cai	2/2
Dr. Lin Jin Tong	2/2
Mr. Qian Ting Shuo	2/2

AUDITORS' REMUNERATION

The Company's external auditors for the Current Year are Ernst & Young. The Audit Committee is mandated to ensure continuing auditors' objectivity and safeguarding independence of the auditors. The Audit Committee considered and approved the engagement of Ernst & Young as auditors of the Company for the Current Year and the corresponding audit fees estimation. Such recommendation relating to the appointment of Ernst & Young was agreed and accepted by the Board.

During the Current Year, the fees paid to the auditors for audit services amounted to HK$3,541,000; and non-audit services of tax review and other professional services amounted to HK$84,000 and HK$639,000 respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for each financial period to give a true and fair view of the state of affairs of the Company and ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function and preparation of the financial statements of the Group.

As at the date of this report, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Company is set out in the "Independent Auditors' Report" on pages 46 to 47 of the annual report.

INTERNAL CONTROLS

The Board acknowledges its responsibility to ensure that a sound and effective internal control system is maintained. The Board has therefore set up an internal audit department to assist the Board and the Audit Committee to ensure that the Group maintains a sound system of internal controls.

The internal audit department monitors the internal control procedures and systems of the Group and reports its findings and recommendations to management and the Audit Committee. It carried out audit in areas identified as of high or medium significance during the Current Year. These areas included sales and receivables, and inventories and costing. Recommendations were made to the relevant business functions and improvements have been made.

The Audit Committee reviewed the reports submitted by the internal audit department and reported semi-annually to the Board on such reviews. For the Current Year, the Board reviewed the effectiveness of the internal control system within the Group and is satisfied that the internal control systems within the Group are effective.

SHAREHOLDERS' RIGHT

PROCEDURES BY WHICH SHAREHOLDERS MAY CONVENE AN EXTRAORDINARY GENERAL MEETING

The Board may whenever it thinks fit call extraordinary general meeting. Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The above procedures are subject to the articles of association of the Company (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time).

PROCEDURES FOR PUTTING FORWARD ENQUIRIES TO THE BOARD

Shareholders may put forward enquiries to the Board through the company secretary of the Company who will direct the enquiries to the Board for handling. The contact details of the company secretary are as follows:

The Company Secretary
Comba Telecom Systems Holdings Limited
611 East Wing
No. 8 Science Park West Avenue
Hong Kong Science Park
Tai Po Hong Kong
Email: investorrelations@comba-telecom.com
Tel No.: (852) 2636 6861
Fax No.: (852) 2637 0966

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time). However, pursuant to the articles of association of the Company (as amended from time to time), Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

The procedures for Shareholders to propose a person for election as a Director are available and accessible on the website of the Company.

CHANGE IN THE CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Current Year, there has not been any change in the Company's constitutional documents.

CORPORATE TRANSPARENCY AND INVESTOR RELATIONS

The Group always endeavours to improve transparency and accountability to its shareholders in the best possible way. After reporting its interim and annual results, the Group holds press conference and investor presentation/conference call where the financial performance, business review and prospect of the Group are presented. This also sets an open communication platform for the Group's senior management to address any questions that the investment community and the media may have. Web-cast presentation is then sent to shareholders and investors around the world to ensure information is disseminated on a fair and timely basis. The Group issues press releases and announcements where appropriate to provide updated information about the Group's business development in a timely manner. The Group also updates its website regularly to ensure information about its latest development disseminated promptly. During the Current Year, the Group organized 2 plant visits for investors and the Group's senior management attended over 120 investor meetings, including participation in 2 investor conferences and 10 post-results roadshows. These provided the investment community with an opportunity to understand the business of the Group better.

Key Investor Relations Events in 2014:

Date		Event
March	:	2013 annual results announcement (investor presentation conference call)
April	:	Post-results roadshows in Hong Kong, Shanghai and Beijing
May	:	Post-results roadshows in Europe
	:	Plant visits for investors (arranged by BOCI and Industrial Securities Hong Kong respectively)
	:	2013 Annual General Meeting
June	:	Post-results roadshows in Hong Kong
	:	Media luncheon and analyst group meeting
August	:	2014 interim results announcement (press conference and investor presentation)
	:	Post-results roadshows in Hong Kong, Beijing and Taipei
September	:	China TMT Corporate Day (organized by CIMB)
October	:	Extraordinary General Meeting
November	:	Greater China CEO Submit 2014 (organized by Goldman Sachs)
	:	Post-results roadshows in Japan

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
25 March 2015

REPORT OF THE DIRECTORS

The directors (the "Director(s)") of Comba Telecom Systems Holdings Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 (the "Current Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the Company's principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Current Year.

OPERATING SEGMENT INFORMATION

An analysis of the Group's revenue for the year by the location of customers is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 48 to 123.

As disclosed in the final results announcement of the Company for the Current Year dated 25 March 2015, the Directors recommended the payment of a final dividend of HK1.3 cents per ordinary share (2013: Nil) in respect of the Current Year to shareholders whose names appear on the register of members of the Company on 10 June 2015. Together with the interim dividend of HK1.2 cents per ordinary share paid on 18 September 2014 (2013: Nil), the total dividends for the Current Year is HK2.5 cents per ordinary share (2013: Nil). This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of statement of financial position.

5 YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 124. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Current Year are set out in note 13 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED SHARES

The Company has allotted and issued 152,619,608 new ordinary shares by way of bonus issue to the then qualified shareholders on 23 October 2014.

The Company has granted 40,000,000 share options (which will entitle holders thereof to subscribe for 44,000,000 shares after adjustment as a result of the bonus issue of shares on 23 October 2014) to the Directors and employees of the Company during the Current Year. No share options were exercised by the Directors and employees of the Company during the Current Year. Details of movements in the Company's share capital, share options and awarded shares during the Current Year are set out in notes 28 and 29 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the Current Year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$397,781,000, of which HK$21,825,000 has been proposed as a final dividend for the Current Year. In addition, the Company's share premium account, in the amount of HK$722,878,000, may be distributed, provided that immediately following the date on which the distribution or dividends proposed to be paid the Company will be able to pay off its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 80.9% of the total sales for the year and sales to the largest customer included therein accounted for approximately 47.7% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

As at 31 December 2014, to the best knowledge, information and belief of the Directors, none of the Directors or any of their associates or any shareholders owning more than 5% of the Company's issued share capital had any beneficial interests in the Group's five largest customers.

DIRECTORS

The Directors during the Current Year were as follows:

EXECUTIVE DIRECTORS:

Mr. Fok Tung Ling ("Mr. Fok") *(Chairman)*
Mr. Zhang Yue Jun *(Vice Chairman & President)*
Dr. Tong Chak Wai, Wilson ("Dr. Tong")
Mr. Wu Jiang Cheng (Retired on 26 August 2014)
Mr. Yan Ji Ci (Retired on 26 August 2014)
Mr. Zheng Guo Bao ("Mr. Zheng")
Mr. Yeung Pui Sang, Simon ("Mr. Yeung")
Mr. Zhang Yuan Jian

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Liu Cai
Mr. Lau Siu Ki, Kevin ("Mr. Kevin Lau")
Dr. Lin Jin Tong ("Dr. Lin")
Mr. Qian Ting Shuo ("Mr. Qian")

In accordance with articles 87(1) and 87(2) of the Articles, Dr. Tong, Mr. Zheng, Mr. Liu Cai and Mr. Kevin Lau will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM") of the Company.

The Company has received annual confirmations of independence from Mr. Liu Cai, Mr. Kevin Lau, Dr. Lin and Mr. Qian as at the date of this report and considers them to be independent as each of them fulfils the requirements as set out in rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 20 to 29 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Fok and Mr. Zhang Yue Jun has entered into a service contract with the Company for an initial term of three years which commenced on 1 July 2003, and will continue thereafter until terminated by either party by giving not less than six months' written notice. As these contracts were entered into on or before 31 January 2004, they are exempted from the shareholders' approval requirement under rule 13.68 of the Listing Rules.

Each of Dr. Tong and Mr. Zhang Yuan Jian has entered into a service contract with the Company for an initial term of three years which commenced on 1 December 2008 and 10 February 2012, respectively and will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other. Each of Mr. Zheng and Mr. Yeung has entered into a service contract with the Company for an initial term of 18 months which commenced on 30 March 2008 and 7 April 2005, respectively and will continue thereafter until terminated by not less than six months' notice in writing served by either party on the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICIES

Details of the remuneration policies are set out in the section "Employees and Remuneration Policies" on page 19 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the Loan Agreement, the WTAP Agreement, the WTAP-Components Agreement and the IDU Services Agreement in which Mr. Zheng has interest (as disclosed in the section "Connected Transactions" below), no contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, was a party, and in which a Director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Current Year or at any time during the Current Year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of the business of the Group were entered into or subsisted during the Current Year.

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

At 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest				
Name of Directors	Notes	Directly beneficially owned	Through spouse	Through controlled corporation	Total	Percentage of the Company's issued share capital
Mr. Fok	(a)	18,984,045	–	534,229,175	553,213,220	32.95
Mr. Zhang Yue Jun	(b)	–	–	169,541,297	169,541,297	10.09
Dr. Tong		9,390,166	–	–	9,390,166	0.55
Mr. Zheng		3,736,893	–	–	3,736,893	0.22
Mr. Yeung		10,151,803	–	–	10,151,803	0.60
Mr. Zhang Yuan Jian		3,040,901	88,000	–	3,128,901	0.18

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Fok	550,000
Mr. Zhang Yue Jun	550,000
Dr. Tong	2,530,000
Mr. Yeung	2,200,000
Mr. Zhang Yuan Jian	2,200,000
Mr. Liu Cai	220,000
Mr. Kevin Lau	220,000
Dr. Lin	110,000
Mr. Qian	110,000

Notes:

(a) 532,815,471 shares and 1,413,704 shares are beneficially owned by Prime Choice Investments Limited and Total Master Investments Limited, respectively. By virtue of 100% shareholding in each of Prime Choice Investments Limited and Total Master Investments Limited, Mr. Fok is deemed or taken to be interested in the total of 534,229,175 shares owned by Prime Choice Investments Limited and Total Master Investments Limited under the SFO.

(b) These shares are beneficially owned by Wise Logic Investments Limited. By virtue of 100% shareholding in Wise Logic Investments Limited, Mr. Zhang Yue Jun is deemed or taken to be interested in the 169,541,297 shares owned by Wise Logic Investments Limited under the SFO.

Save as aforesaid and save for Mr. Zheng beneficially holding 32% equity interest in WaveLab Holdings Limited, an indirect non wholly-owned subsidiary of the Company ("WaveLab Holdings"), as at 31 December 2014, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

Details of the share option schemes and share award scheme are set out in note 29 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option schemes and share award scheme in note 29 to the financial statements, at no time during the Current Year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any Director, the chief executive or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Current Year, none of the Directors have any interest in business which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

PENSION SCHEMES

Details of the pension schemes of the Group are set out in notes 2.4 and 6 to the financial statements, respectively under "Other employee benefits" on page 74 and "Employee benefit expense" on page 81 of the annual report, respectively.

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

As at 31 December 2014, the following persons (other than a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange were as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares and share options held	Percentage of the Company's issued share capital
Prime Choice Investments Limited		Beneficial owner	532,815,471	31.73
Madam Chen Jing Na	(a)	Interest of spouse	553,763,220	32.98
Wise Logic Investments Limited		Beneficial owner	169,541,297	10.09
Madam Cai Hui Ni	(b)	Interest of spouse	170,091,297	10.13
Allianz SE		Interest of controlled corporation	96,837,099	5.77

Notes:

(a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 553,213,220 shares and 550,000 share options in which Mr. Fok is deemed or taken to be interested for the purpose of the SFO.

(b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 169,541,297 shares and 550,000 share options in which Mr. Zhang Yue Jun is deemed or taken to be interested for the purpose of the SFO.

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

(i) 532,815,471 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and

(ii) 169,541,297 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 31 December 2014, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into during the Current Year were disclosed in note 34 to the financial statements. These related party transactions in respect of compensation of key management personnel of the Group constituted connected transactions as defined in Chapter 14A of the Listing Rules but exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

During the year under review, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION: LOAN

On 24 December 2013, Cascade Technology Limited, an indirect wholly-owned subsidiary of the Company ("Cascade Technology"), entered into with WaveLab Holdings a loan agreement (the "Loan Agreement") pursuant to which Cascade Technology agreed to lend a loan in principal amount of US$11,000,000 (equivalent to approximately HK$85,580,000) to WaveLab Holdings at the rate of LIBOR at the date of actual drawing plus 4.75 per cent per annum during the period from 1 January 2014 to 31 December 2016.

The purposes of the loan are used for refinancing all outstanding indebtedness and for the working capital of WaveLab Holdings and its subsidiaries. Cascade Technology may, at any time upon giving notice in writing, demand immediate repayment of the loan in full or in part up to the outstanding amount of the loan not yet repaid and/or payment of any part of the interest accrued thereon.

As Mr. Zheng, an executive Director and a shareholder of the Company, is also a substantial shareholder of WaveLab Holdings, WaveLab Holdings is considered to be a connected person of the Company under the Listing Rules and all the transactions contemplated thereunder constitute connected transactions for the Company under the Listing Rules.

For details, please refer to the announcement of the Company dated 24 December 2013.

CONTINUING CONNECTED TRANSACTIONS

On 24 December 2013, Comba Telecom Systems Investments Limited, a direct wholly-owned subsidiary of the Company, entered into with WaveLab Holdings: (i) an agreement (the "WTAP Agreement") for the procurement of wireless transmission and access products (including but not limited to digital microwave outdoor units, radio frequency units, block upconvertors and such other products) used in connection with microwave transmission (the "WTAPs") and the relevant maintenance services from WaveLab Holdings to the Group (the "WTAP Transaction"); (ii) an agreement (the "WTAP-Components Agreement") for the supply of necessary components used in the manufacture of WTAPs by the Group to WaveLab Holdings (the "WTAP-Components Transaction"); and (iii) an agreement (the "IDU Services Agreement") for the processing and assembling of raw materials and/or semi-finished components of digital microwave indoor units by WaveLab Holdings to the Group (the "IDU Services Transaction"), each of which is for a term from 1 January 2014 to 31 December 2016 and is subject to the early termination provisions incidental therein.

By virtue of the relationship between Mr. Zheng and WaveLab Holdings as disclosed above, WaveLab Holdings is considered to be a connected person of the Company under the Listing Rules and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

As set out in the announcement of the Company dated 24 December 2013, the annual caps for the WTAP Transaction, the WTAP-Components Transaction and the IDU Services Transaction for the year ended 31 December 2014 were HK$148,000,000, HK$800,000 and HK$3,600,000, respectively. The total consideration for the WTAP Transaction, the WTAP-Components Transaction and the IDU Services Transaction during the Current Year amounted to HK$88,699,000, HK$770,000 and HK$2,245,000, respectively which are within the annual caps of HK$148,000,000, HK$800,000 and HK$3,600,000, respectively.

For details, please refer to the announcement of the Company dated 24 December 2013.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Comba Telecom Systems Limited, an indirect wholly-owned subsidiary of the Company, entered into two 3-year term loan facility agreements with certain financial institutions respectively, one with facility amount of US$210,000,000 entered into on 26 June 2012 (the "2012 Facility Agreement") and the other with facility amount of US$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement", together with the 2012 Facility Agreement collectively known as the "Facility Agreements"), which contain covenants requiring specific performance obligations of Mr. Fok, the controlling shareholder of the Company and Mr. Zhang Yue Jun, the substantial shareholder of the Company. During the Current Year, the loan balance under the 2012 Facility Agreement was fully repaid and the above specific performance obligations under the 2014 Facility Agreement have been complied with. Details of the Facility Agreements are set out in note 26 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public in accordance with the Listing Rules as at 31 December 2014 and the date of this report.

EVENT AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 38 to the financial statements.

AUDITORS

Ernst & Young will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
25 March 2015

INDEPENDENT AUDITORS' REPORT

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TO THE SHAREHOLDERS OF COMBA TELECOM SYSTEMS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 48 to 123, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	5	**6,733,214**	5,720,599
Cost of sales		**(4,973,204)**	(4,355,013)
Gross profit		**1,760,010**	1,365,586
Other income and gains	5	**60,903**	68,408
Research and development costs	6	**(192,986)**	(207,158)
Selling and distribution expenses		**(509,477)**	(505,566)
Administrative expenses		**(789,727)**	(788,888)
Other expenses		**(65,524)**	(37,107)
Finance costs	7	**(61,147)**	(55,153)
PROFIT/(LOSS) BEFORE TAX	6	**202,052**	(159,878)
Income tax expense	9	**(47,532)**	(84,867)
PROFIT/(LOSS) FOR THE YEAR		**154,520**	(244,745)
Attributable to:			
Owners of the parent	10	**151,061**	(240,722)
Non-controlling interests		**3,459**	(4,023)
		154,520	(244,745)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic		**HK9.04 cents**	HK(14.46) cents (restated)
Diluted		**HK9.00 cents**	HK(14.46) cents (restated)

Details of the dividends payable and proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**154,520**	(244,745)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(113,914)**	78,731
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(113,914)**	78,731
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(113,914)**	78,731
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**40,606**	(166,014)
Attributable to:		
Owners of the parent	**38,537**	(163,572)
Non-controlling interests	**2,069**	(2,442)
	40,606	(166,014)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**681,624**	760,841
Prepaid land lease payments	14	**53,062**	51,789
Goodwill	15	**28,571**	28,571
Long-term trade receivables	20	**12,179**	83,322
Deferred tax assets	16	**141,786**	115,948
Intangible assets	17	**196,512**	133,302
Restricted bank deposits	23	**14,564**	30,655
Total non-current assets		**1,128,298**	1,204,428
CURRENT ASSETS			
Inventories	19	**2,234,857**	2,240,395
Trade receivables	20	**4,381,627**	4,530,279
Notes receivable	21	**149,684**	85,703
Prepayments, deposits and other receivables	22	**622,919**	621,476
Restricted bank deposits	23	**344,551**	46,735
Time deposits with original maturity of over 3 months	23	**–**	298,403
Cash and cash equivalents	23	**1,274,796**	1,290,858
Total current assets		**9,008,434**	9,113,849
CURRENT LIABILITIES			
Trade and bills payables	24	**3,422,870**	3,839,472
Other payables and accruals	25	**1,177,630**	1,074,167
Interest-bearing bank borrowings	26	**972,635**	1,232,409
Tax payable		**25,553**	25,861
Provisions for product warranties	27	**77,863**	76,182
Total current liabilities		**5,676,551**	6,248,091
NET CURRENT ASSETS		**3,331,883**	2,865,758
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,460,181**	4,070,186

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**678,389**	325,667
Deferred tax liabilities	16	**15,837**	16,628
Total non-current liabilities		**694,226**	342,295
Net assets		**3,765,955**	3,727,891
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**167,882**	152,620
Treasury shares	28	**(13,114)**	(13,572)
Reserves	30(a)	**3,533,198**	3,534,748
Proposed final dividend	11	**21,825**	–
		3,709,791	3,673,796
Non-controlling interests		**56,164**	54,095
Total equity		**3,765,955**	3,727,891

Fok Tung Ling
Director

Tong Chak Wai, Wilson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Notes	Attributable to owners of the parent											Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000 (note 28)	Treasury shares HK$'000 (note 28)	Share premium account HK$'000 (note 28)	Share-based compensation reserve HK$'000 (note 29)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total HK$'000		
At 1 January 2013		152,620	(14,370)	643,764	131,008	45,827	72,191	91,420	549,637	2,133,525	–	3,805,622	56,537	3,862,159
Loss for the year		–	–	–	–	–	–	–	–	(240,722)	–	(240,722)	(4,023)	(244,745)
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	77,150	–	–	77,150	1,581	78,731
Total comprehensive loss for the year		–	–	–	–	–	–	–	77,150	(240,722)	–	(163,572)	(2,442)	(166,014)
Share option scheme														
– value of services	6	–	–	–	8,834	–	–	–	–	–	–	8,834	–	8,834
– adjustment arising from lapse of share options		–	–	–	(1,561)	–	–	–	–	1,561	–	–	–	–
– share options cancelled at expiry date		–	–	–	(27,614)	–	–	–	–	27,614	–	–	–	–
Share award scheme														
– value of services	6	–	–	–	22,912	–	–	–	–	–	–	22,912	–	22,912
– vested awarded shares transferred to selected persons		–	798	47,018	(47,816)	–	–	–	–	–	–	–	–	–
Transfer to retained profits		–	–	–	–	–	(3,609)	–	–	3,609	–	–	–	–
At 31 December 2013		152,620	(13,572)	690,782*	85,763*	45,827*	68,582*	91,420*	626,787*	1,925,587*	–	3,673,796	54,095	3,727,891

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 28)	Treasury shares HK$'000 (note 28)	Share premium account HK$'000 (note 28)	Share-based compensation reserve HK$'000 (note 29)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividends HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		152,620	(13,572)	690,782	85,763	45,827	68,582	91,420	626,787	1,925,587	–	3,673,796	54,095	3,727,891
Profit for the year		–	–	–	–	–	–	–	–	151,061	–	151,061	3,459	154,520
Other comprehensive loss for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(112,524)	–	–	(112,524)	(1,390)	(113,914)
Total comprehensive income for the year		–	–	–	–	–	–	–	(112,524)	151,061	–	38,537	2,069	40,606
Issue of bonus shares	28(b)	15,262	(59)	(15,203)	–	–	–	–	–	–	–	–	–	–
Share option scheme														
– value of services	6	–	–	–	11,123	–	–	–	–	–	–	11,123	–	11,123
– adjustment arising from lapse of share options		–	–	–	(989)	–	–	–	–	989	–	–	–	–
Share award scheme														
– value of services	6	–	–	–	4,649	–	–	–	–	–	–	4,649	–	4,649
– vested awarded shares transferred to selected persons		–	517	47,299	(47,816)	–	–	–	–	–	–	–	–	–
Transfer to/from retained profits		–	–	–	–	–	(3,609)	12,992	–	(9,383)	–	–	–	–
Interim 2014 dividend declared	11	–	–	–	–	–	–	–	–	(18,314)	–	(18,314)	–	(18,314)
Proposed final dividend	11	–	–	–	–	–	–	–	–	(21,825)	21,825	–	–	–
At 31 December 2014		167,882	(13,114)	722,878*	52,730*	45,827*	64,973*	104,412*	514,263*	2,028,115*	21,825	3,709,791	56,164	3,765,955

* These reserve accounts comprise the consolidated reserves of HK$3,533,198,000 (2013: HK$3,534,748,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**202,052**	(159,878)
Adjustments for:			
Interest income	5	**(15,923)**	(9,730)
Finance costs	7	**61,147**	55,153
Depreciation	6	**115,319**	130,780
Recognition of prepaid land lease payments	6	**1,830**	1,099
Amortization of intangible assets	17	**54,186**	26,960
Equity-settled share option expense	6	**11,123**	8,834
Awarded share expense	6	**4,649**	22,912
Gain on disposal of items of property, plant and equipment	6	**(3,402)**	(452)
		430,981	75,678
Increase in inventories		**(49,742)**	(33,744)
(Increase)/decrease in trade receivables		**36,872**	(142,148)
Decrease in long-term trade receivables		**71,143**	51,373
Increase in notes receivable		**(66,096)**	(24,379)
Increase in prepayments, deposits and other receivables		**(16,717)**	(57,252)
Increase/(decrease) in trade and bills payables		**(321,867)**	655,351
Increase/(decrease) in other payables and accruals		**129,967**	(97,016)
Increase in provisions for product warranties		**3,588**	117
Cash generated from operations		**218,129**	427,980
Mainland China profits tax paid		**(58,821)**	(113,392)
Overseas profits taxes paid		**(18,049)**	(13,734)
Net cash flows from operating activities		**141,259**	300,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**15,923**	9,730
Purchases of items of property, plant and equipment	13	**(56,547)**	(52,039)
Addition of intangible assets	17	**(121,163)**	(129,142)
Addition of prepaid land lease payments	14	**(4,271)**	(21,845)
Proceeds from disposal of items of property, plant and equipment		**7,794**	5,444
Decrease/(increase) in time deposits with original maturity of over 3 months		**298,403**	(298,403)
Increase in restricted bank deposits		**(283,634)**	(46,320)
Net cash flows used in investing activities		**(143,495)**	(532,575)

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**1,556,034**	1,109,007
Repayment of bank borrowings		**(1,463,086)**	(1,109,587)
Interest paid		**(61,147)**	(55,153)
Dividends paid	11	**(18,314)**	–
Net cash flows from/(used in) financing activities		**13,487**	(55,733)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**11,251**	(287,454)
Cash and cash equivalents at beginning of year		**1,290,858**	1,536,638
Effect of foreign exchange rate changes, net		**(27,313)**	41,674
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,274,796**	1,290,858
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,274,796**	1,290,858
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,274,796**	1,290,858
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,274,796**	1,290,858

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	18	**669,526**	649,615
CURRENT ASSETS			
Due from subsidiaries	18	**1,063,200**	1,038,200
Cash and cash equivalents	23	**1,089**	1,021
Total current assets		**1,064,289**	1,039,221
CURRENT LIABILITIES			
Due to a subsidiary	18	**316,779**	294,085
Other payables and accruals	25	**75,660**	75,539
Total current liabilities		**392,439**	369,624
NET CURRENT ASSETS		**671,850**	669,597
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,341,376**	1,319,212
NON-CURRENT LIABILITIES			
Financial guarantee contracts	31	**12,457**	8,319
Net assets		**1,328,919**	1,310,893
EQUITY			
Issued capital	28	**167,882**	152,620
Treasury shares	28	**(13,114)**	(13,572)
Reserves	30(b)	**1,152,326**	1,171,845
Proposed final dividend	11	**21,825**	–
Total equity		**1,328,919**	1,310,893

Fok Tung Ling
Director

Tong Chak Wai, Wilson
Director

NOTES TO FINANCIAL STATEMENTS
31 December 2014

1. CORPORATE INFORMATION

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

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

During the year, the Company and its subsidiaries (the "Group") was principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014 (the "Current Year"). The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the Current Year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(e) HK(IFRIC)-Int 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKAS 1 Amendments	*Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2017 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SUBSIDIARIES

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognized in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that assets, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realized in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.5%
Plant and machinery	9%–18%
Furniture, fixtures and office equipment	18%–30%
Motor vehicles	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Computer software and technology

The purchased computer software and technology are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 3 to 10 years.

Golf club membership

Golf club membership with an indefinite useful live is tested for impairment annually. Such intangible asset is not amortized. The useful life is reviewed at the end of each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding three years, commencing from the date when the products are put into commercial production.

LEASES

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement
Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement
The subsequent measurement of loans and receivables is as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in other expenses.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expense in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in equity.

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

PROVISIONS

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

GOVERNMENT GRANTS

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the periods that the costs, which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods and the related installation, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) maintenance service income, when the underlying services have been rendered;

(c) rental income, on a time proportion basis over the lease terms; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

SHARE-BASED PAYMENTS

The Company operates two share option schemes and a share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding equity-settled awards is reflected as additional share dilution in the computation of earnings per share.

OTHER EMPLOYEE BENEFITS

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on certain properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Recognition of a deferred tax liability for withholding taxes

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings of 2008 or thereafter, shall be subject to withholding taxes at an applicable rate of 5% or 10%. The directors had assessed whether it is probable for the Group's PRC subsidiaries to distribute dividends out of their profits earned after 1 January 2008. For details, refer to note 16 to the financial statements.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment allowances for trade and other receivables

Impairment allowances for trade and other receivables are made on assessment of the recoverability of trade and other receivables. The identification of impairment allowances requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the receivables and any additional impairment or reversal of impairment will be reflected in the period in which such estimate has been changed.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was approximately HK$28,571,000 (2013: HK$28,571,000). For details, refer to note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2014, the best estimate of the carrying amount of capitalized development costs was HK$175,544,000 (2013: HK$109,897,000). For details, please refer to note 17 to the financial statements.

Provisions for product warranties

The Group generally provides 1 to 2 years warranties to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of provisions is estimated based on the sales volume and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the year, the provisions for product warranties were not discounted as the effect of discounting was not material.

Fair values of financial instruments

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair values of property, plant and equipment

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including: (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. As at 31 December 2014, the carrying amounts of the property, plant and equipment approximated to their fair values. For details, refer to note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2014 HK$'000	2013 HK$'000
Mainland China	**5,682,153**	4,769,583
Other countries/areas in Asia Pacific	**301,276**	294,728
Americas	**530,392**	438,443
European Union	**121,622**	131,471
Middle East	**42,093**	49,922
Other countries	**55,678**	36,452
	6,733,214	5,720,599

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

(b) Non-current assets

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

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK$3,209,402,000 (2013: HK$2,981,503,000), HK$1,137,773,000 (2013: HK$734,977,000) and HK$947,396,000 (2013: HK$831,117,000) was derived from 3 major customers, which accounted for 47.7% (2013: 52.1%), 16.9% (2013: 12.8%) and 14.1% (2013: 14.5%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2014 HK$'000	2013 HK$'000
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**6,365,669**	5,273,990
Maintenance services	**367,545**	446,609
	6,733,214	5,720,599
Other income and gains		
Bank interest income	**15,923**	9,730
Government subsidy	**11,128**	26,509
VAT refunds*	**19,009**	22,717
Gross rental income	**6,210**	2,877
Others	**8,633**	6,575
	60,903	68,408

* During the years ended 31 December 2013 and 2014, Comba Software Technology (Guangzhou) Limited ("Comba Software"), being designated as a software enterprise, was entitled to VAT refunds on the effective VAT rate in excess of 3% after the payment of statutory net output VAT of 17%. Such VAT refunds were approved by the Guangzhou State Tax Bureau (廣州市國家稅務局) and received by Comba Software.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2014 HK$'000	2013 HK$'000
Cost of inventories sold and services provided		**4,827,078**	4,279,812
Depreciation	13	**115,319**	130,780
Recognition of prepaid land lease payments	14	**1,830**	1,099
Amortization of computer software and technology	17	**9,098**	10,082
Research and development costs:			
Deferred expenditure amortized*	17	**45,088**	16,878
Current year expenditure		**192,986**	207,158
		238,074	224,036
Minimum lease payments under operating leases in respect of land and buildings		**82,180**	87,412
Auditors' remuneration		**3,541**	3,564
Employee benefit expense (including directors' remuneration, note 8)^:			
Salaries and wages		**993,123**	939,100
Staff welfare expenses		**67,849**	74,819
Equity-settled share option expense	29(a)	**11,123**	8,834
Awarded share expense		**4,649**	22,912
Pension scheme contributions (defined contribution schemes)#		**87,227**	90,556
		1,163,971	1,136,221
Exchange loss, net		**59,183**	52,371
Write-down of inventories to net realizable value		**66,739**	–
Impairment of trade receivables	20	**57,719**	31,831
Provision for product warranties	27	**48,029**	37,933
Gain on disposal of items of property, plant and equipment		**(3,402)**	(452)

* The amortization of deferred development costs for the year was included in "Cost of sales" in the consolidated statement of profit or loss.

^ Staff costs capitalized into deferred development costs amounting to HK$91,019,000 (2013: HK$99,906,000) have not been included in the employee benefit expense.

At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2013: Nil).

7. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest on bank loans wholly repayable within 5 years	**61,147**	55,153

8. DIRECTORS' REMUNERATION AND 5 HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014 HK$'000	2013 HK$'000
Fees	**880**	880
Other emoluments:		
Salaries, allowances and benefits in kind	**11,149**	10,720
Performance related bonuses	**7,793**	9,295
Equity-settled share option expense	**1,842**	594
Awarded share expense	**545**	2,695
Pension scheme contributions	**307**	333
	21,636	23,637
	22,516	24,517

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the Current Year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION AND 5 HIGHEST PAID EMPLOYEES (continued)

(a) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Awarded share expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Fok Tung Ling	–	1,673	1,510	135	–	17	3,335
Mr. Zhang Yue Jun	–	1,608	1,509	135	–	64	3,316
Dr. Tong Chak Wai, Wilson	–	1,940	134	490	122	17	2,703
Mr. Wu Jiang Cheng (retired on 26 August 2014)	–	950	1,558	77	122	58	2,765
Mr. Yan Ji Ci (retired on 26 August 2014)	–	812	1,484	77	106	30	2,509
Mr. Zheng Guo Bao	100	1,340	–	–	24	40	1,504
Mr. Yeung Pui Sang, Simon	–	1,979	215	409	106	17	2,726
Mr. Zhang Yuan Jian	–	847	1,383	409	65	64	2,768
	100	11,149	7,793	1,732	545	307	21,626
Non-executive directors:							
Mr. Liu Cai	200	–	–	28	–	–	228
Mr. Lau Siu Ki, Kevin	180	–	–	28	–	–	208
Dr. Lin Jin Tong	200	–	–	27	–	–	227
Mr. Qian Ting Shuo	200	–	–	27	–	–	227
	780	–	–	110	–	–	890
	880	11,149	7,793	1,842	545	307	22,516

8. DIRECTORS' REMUNERATION AND 5 HIGHEST PAID EMPLOYEES (continued)

(a) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS (continued)

2013	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Awarded share expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Fok Tung Ling	–	1,031	1,898	–	–	11	2,940
Mr. Zhang Yue Jun	–	1,488	1,979	–	–	63	3,530
Dr. Tong Chak Wai, Wilson	–	1,835	317	110	603	15	2,880
Mr. Wu Jiang Cheng	–	1,350	1,521	110	603	63	3,647
Mr. Yan Ji Ci	–	1,146	1,569	110	523	63	3,411
Mr. Zheng Guo Bao	100	1,340	–	–	121	40	1,601
Mr. Yeung Pui Sang, Simon	–	1,890	323	110	523	15	2,861
Mr. Zhang Yuan Jian	–	640	1,688	110	322	63	2,823
	100	10,720	9,295	550	2,695	333	23,693
Non-executive directors:							
Mr. Liu Cai	200	–	–	22	–	–	222
Mr. Lau Siu Ki, Kevin	180	–	–	22	–	–	202
Dr. Lin Jin Tong	200	–	–	–	–	–	200
Mr. Qian Ting Shuo	200	–	–	–	–	–	200
	780	–	–	44	–	–	824
	880	10,720	9,295	594	2,695	333	24,517

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(b) 5 HIGHEST PAID EMPLOYEES

The 5 highest paid (excluding sales commissions) employees during the year included 5 (2013: 5) directors, details of whose remuneration are set out above.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014 HK$'000	2013 HK$'000
Current – Hong Kong		
Charged for the year	–	10,763
Overprovision in prior year	(1,535)	–
Current – Mainland China	75,408	51,090
Current – Elsewhere	3,327	3,671
Deferred	(29,668)	19,343
Total tax charge for the year	47,532	84,867

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

Comba Telecom Technology (Guangzhou) Limited, Comba Telecom Systems (Guangzhou) Limited and Comba Telecom Systems (China) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2014 based on the designation as High-New Technology Enterprises by the Guangdong Provincial Department of Science and Technology which remained effective for the year ended 31 December 2014.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2014 HK$'000	%	2013 HK$'000	%
Profit/(loss) before tax	202,052		(159,878)	
Tax at the applicable tax rate in Mainland China	50,513	25.00	(39,968)	25.00
Lower tax rates for specific provinces or enacted by local authority	(14,672)	(7.26)	30,618	(19.15)
Effect on opening deferred tax of increase in rate	(20,080)	(9.94)	–	–
Adjustments in respect of current tax of previous year	(1,535)	(0.75)	–	–
Income not subject to tax	(13,595)	(6.73)	(10,810)	6.76
Expenses not deductible for tax	45,294	22.41	35,686	(22.32)
Additional deductible research and development expenses	(16,888)	(8.36)	(14,018)	8.77
Tax losses utilized from previous years	(18,758)	(9.28)	(4,832)	3.02
Tax losses not recognized	37,253	18.44	88,191	(55.16)
Tax charge at the Group's effective rate	47,532	23.53	84,867	(53.08)

9. INCOME TAX (continued)

The Group has tax losses arising in Hong Kong and other jurisdictions of HK$186,689,000 (2013: HK$470,303,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognized deferred tax assets at 31 December 2014.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

10. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 December 2014 includes a profit of HK$20,568,000 (2013: a loss of HK$4,849,000) which has been dealt with in the financial statements of the Company (note 30(b)).

11. DIVIDENDS

	2014 HK$'000	2013 HK$'000
Interim – HK1.2 cents (2013: Nil) per ordinary share	18,314	–
Proposed final – HK1.3 cents (2013: Nil) per ordinary share	21,825	–
	40,139	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,670,785,000 (2013 (restated): 1,664,223,000) in issue during the year, as adjusted to reflect the bonus issue during the year.

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

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2013 in respect of a dilution as the impact of the share options and awarded outstanding shares had an anti-dilutive effect on the basic loss per share amounts presented.

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

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

	2014 HK$'000	2013 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	151,061	(240,722)

	Number of shares	
	2014	2013 (restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculations	1,670,785,000	1,664,223,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	6,364,000	–
Awarded shares	982,000	–
	1,678,131,000	1,664,223,000

13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2014					
At 31 December 2013 and at 1 January 2014:					
Cost or valuation	497,183	640,166	215,437	40,367	1,393,153
Accumulated depreciation	(27,930)	(431,308)	(144,591)	(28,483)	(632,312)
Net carrying amount	469,253	208,858	70,846	11,884	760,841
At 1 January 2014,net of accumulated depreciation	469,253	208,858	70,846	11,884	760,841
Additions	13,096	34,583	7,551	1,317	56,547
Disposals	(225)	(2,887)	(911)	(369)	(4,392)
Depreciation provided during the year	(25,394)	(61,854)	(23,003)	(5,068)	(115,319)
Exchange realignment	(9,902)	(4,027)	(1,827)	(297)	(16,053)
At 31 December 2014, net of accumulated depreciation	446,828	174,673	52,656	7,467	681,624
At 31 December 2014:					
Cost or valuation	496,401	644,367	212,725	38,155	1,391,648
Accumulated depreciation	(49,573)	(469,694)	(160,069)	(30,688)	(710,024)
Net carrying amount	446,828	174,673	52,656	7,467	681,624
Analysis of cost or valuation:					
At cost	31,968	644,367	212,725	38,155	927,215
At 2012 valuation	464,433	–	–	–	464,433
	496,401	644,367	212,725	38,155	1,391,648

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2013					
At 31 December 2012 and at 1 January 2013:					
Cost or valuation	474,126	604,898	210,169	39,058	1,328,251
Accumulated depreciation	(3,466)	(355,174)	(120,218)	(23,116)	(501,974)
Net carrying amount	470,660	249,724	89,951	15,942	826,277
At 1 January 2013,net of accumulated depreciation	470,660	249,724	89,951	15,942	826,277
Additions	12,733	27,525	10,145	1,636	52,039
Disposals	–	(4,598)	(921)	(171)	(5,690)
Depreciation provided during the year	(24,361)	(71,119)	(29,424)	(5,876)	(130,780)
Exchange realignment	10,221	7,326	1,095	353	18,995
At 31 December 2013, net of accumulated depreciation	469,253	208,858	70,846	11,884	760,841
At 31 December 2013:					
Cost or valuation	497,183	640,166	215,437	40,367	1,393,153
Accumulated depreciation	(27,930)	(431,308)	(144,591)	(28,483)	(632,312)
Net carrying amount	469,253	208,858	70,846	11,884	760,841
Analysis of cost or valuation:					
At cost	19,350	640,166	215,437	40,367	915,320
At 2012 valuation	477,833	–	–	–	477,833
	497,183	640,166	215,437	40,367	1,393,153

13. PROPERTY, PLANT AND EQUIPMENT (continued)

For the year ended 31 December 2014, no revaluation of buildings was performed as there were no significant movements in the fair value of the buildings.

The Group's buildings are situated in Mainland China and are held under the following lease terms:

Group	2014 HK$'000	2013 HK$'000
At valuation:		
Long-term leases	**464,433**	477,833
At cost:		
Long-term leases	**31,968**	19,350
	496,401	497,183

14. PREPAID LAND LEASE PAYMENTS

Group	2014 HK$'000	2013 HK$'000
Carrying amount at 1 January	**52,997**	31,561
Addition	**4,271**	21,845
Recognized during the year	**(1,830)**	(1,099)
Exchange realignment	**(1,108)**	690
Carrying amount at 31 December	**54,330**	52,997
Current portion included in prepayments, deposits and other receivables	**(1,268)**	(1,208)
Non-current portion	**53,062**	51,789

The leasehold land is held under a long-term lease and is situated in Mainland China.

15. GOODWILL

Group	2014 HK$'000	2013 HK$'000
Cost and net carrying amount at 1 January	**28,571**	28,571
Cost and net carrying amount at 31 December	**28,571**	28,571

15. GOODWILL (continued)

IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations is allocated to the wireless telecommunications equipment cash-generating unit for impairment testing.

The recoverable amount of goodwill is determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets covering at least a 5-year period approved by management. The discount rate applied to the cash flow projections is approximately 15% (2013: 15%).

Management has determined the budgeted gross margins based on past performance and its expectation for market development. The discount rate reflects specific risks relating to the cash-generating unit.

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

DEFERRED TAX ASSETS

Group	Unrealized profit HK$'000	Accruals HK$'000	Products warranty HK$'000	Total HK$'000
At 1 January 2013	69,594	46,111	16,718	132,423
Deferred tax charged to the statement of profit or loss during the year	(12,540)	(6,566)	(935)	(20,041)
Exchange realignment	1,822	1,264	480	3,566
At 31 December 2013	58,876	40,809	16,263	115,948
Deferred tax credited to the statement of profit or loss during the year	13,630	8,979	6,268	28,877
Exchange realignment	(1,515)	(1,076)	(448)	(3,039)
At 31 December 2014	70,991	48,712	22,083	141,786

16. DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES

Group	Revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2013	12,639	4,687	17,326
Deferred tax credited to the statement of profit or loss during the year	(539)	(159)	(698)
At 31 December 2013	**12,100**	**4,528**	**16,628**
Deferred tax credited to the statement of profit or loss during the year	**(631)**	**(160)**	**(791)**
At 31 December 2014	**11,469**	**4,368**	**15,837**

At 31 December 2014, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings that are subject to withholding tax in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totaled approximately HK$1,742,980,000 at 31 December 2014 (2013: HK$1,442,088,000).

17. INTANGIBLE ASSETS

Group	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2014				
Cost at 1 January 2014, net of accumulated amortization	**22,291**	**1,114**	**109,897**	**133,302**
Additions	**7,197**	**–**	**113,966**	**121,163**
Amortization provided during the year	**(9,098)**	**–**	**(45,088)**	**(54,186)**
Exchange realignment	**(536)**	**–**	**(3,231)**	**(3,767)**
At 31 December 2014	**19,854**	**1,114**	**175,544**	**196,512**
At 31 December 2014:				
Cost	**72,575**	**1,114**	**241,000**	**314,689**
Accumulated amortization	**(52,721)**	**–**	**(65,456)**	**(118,177)**
Net carrying amount	**19,854**	**1,114**	**175,544**	**196,512**
31 December 2013				
Cost at 1 January 2013, net of accumulated amortization	29,143	1,114	–	30,257
Additions	2,110	–	127,032	129,142
Amortization provided during the year	(10,082)	–	(16,878)	(26,960)
Exchange realignment	1,120	–	(257)	863
At 31 December 2013	22,291	1,114	109,897	133,302
At 31 December 2013:				
Cost	70,812	1,114	127,032	198,958
Accumulated amortization	(48,521)	–	(17,135)	(65,656)
Net carrying amount	22,291	1,114	109,897	133,302

18. INVESTMENTS IN SUBSIDIARIES

Company	2014 HK$'000	2013 HK$'000
Unlisted shares, at cost	**375,375**	375,375
Capital contribution in respect of employee share-based compensation	**281,694**	265,921
Financial guarantees granted to subsidiaries (note 31)	**12,457**	8,319
	669,526	649,615

The amounts due from subsidiaries and the amount due to a subsidiary included in the Company's current assets and current liabilities of HK$1,063,200,000 (2013: HK$1,038,200,000) and HK$316,779,000 (2013: HK$294,085,000), respectively, are unsecured, interest-free and are repayable on demand.

Particulars of the principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Comba Telecom Systems Investments Limited	British Virgin Islands	US$100	100	–	Investment holding
Praises Holdings Limited	British Virgin Islands	US$100	–	100	Investment holding
Comba Telecom Systems Limited 京信通信系統有限公司	Hong Kong	HK$10,002	–	100	Investment holding and trading
Comba Telecom Systems (Guangzhou) Limited 京信通信系統(廣州)有限公司*	PRC/Mainland China	HK$45,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom Technology (Guangzhou) Limited 京信通信技術(廣州)有限公司*	PRC/Mainland China	HK$115,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Comba Telecom Systems (China) Limited 京信通信系統(中國)有限公司*	PRC/Mainland China	US$42,825,065	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba Software Technology (Guangzhou) Limited 京信軟件科技(廣州)有限公司*	PRC/Mainland China	HK$10,000,000	–	100	Provision of software technology services
Guangzhou Comba Telecom Systems Engineering Limited 廣州京信通信系統工程有限公司*	PRC/Mainland China	RMB30,000,000	–	100	Sale of wireless telecommunications network system equipment and provision of related engineering services
Guangzhou Telink Telecom Equipment Ltd. 廣州泰聯電訊設備有限公司*	PRC/Mainland China	HK$1,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Guangzhou Tai Pu Wireless Telecommunications Equipment Limited 廣州泰普無綫通信設備有限公司*	PRC/Mainland China	RMB1,000,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Telink Telecom (China) Limited 泰聯電訊(中國)有限公司*	PRC/Mainland China	HK$50,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Cascade Technology Limited	British Virgin Islands	US$1	–	100	Investment holding
WaveLab Holdings Limited	Cayman Islands	US$1,000	–	55	Investment holding
WaveLab, Inc.	State of Virginia/ United States of America	US$400,000	–	55	Research and development of digital microwave system equipment

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
WAVELAB GLOBAL, Incorporated	State of Virginia/ United States of America	US$500,000	–	55	Trading of digital microwave system equipment
WaveLab Asia Holdings Limited	British Virgin Islands	US$1	–	55	Investment holding
WaveLab Telecom Equipment (Guangzhou) Limited 波達通信設備(廣州)有限公司*	PRC/Mainland China	US$3,400,000	–	55	Manufacture and sale of digital microwave system equipment
WaveLab Software Technology (Guangzhou) Limited 波達軟件科技(廣州)有限公司*	PRC/Mainland China	US$1,000,000	–	55	Provision of software technology services
WaveLab Limited 波達有限公司	Hong Kong	HK$1	–	55	Investment holding
Comba Telecom Systems International Limited	British Virgin Islands	US$1	–	100	Investment holding
Comba Telecom Limited	Hong Kong	HK$2	–	100	Trading of wireless telecommunications network system equipment
Comba Telecom Systems (Singapore) Pte. Ltd.	Singapore	SG$1,000,002	–	100	Provision of marketing services
Comba Telecom Co., Ltd.	Thailand	THB2,000,000	–	100	Trading of wireless telecommunications network system equipment
Comba Telecom Systems AB	Sweden	SEK100,000	–	100	Provision of marketing services
Noblefield International Limited	British Virgin Islands	US$1	–	100	Investment holding

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Comba Telecom Inc.	State of Delaware/ United States of America	US$1	–	100	Research and development and trading of wireless telecommunications network system equipment
Comba Indústria e Comércio de Equipamentos de Telecomunicacões Ltda.	Brazil	BRL13,003,344	–	100	Production and assembling and trading of wireless telecommunications network system equipment
Comba Telecom India Private Limited	India	INR500,000	–	100	Trading of wireless telecommunications network system equipment
Comba Telecom Macau Limited 京信通信澳門有限公司	Macau	MOP100,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
PT. Comba Telecom	Indonesia	US$100,000	–	100	Provision of management consultancy services of telecommunications
Comba Telecom & Sistemas de México, S.A. de C.V.	Mexico	MXN50,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom y Servicios de México, S.A. de C.V.	Mexico	MXN50,000	–	100	Provision of general and engineering services
Comba Telecom, S.L.	Spain	EUR100,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services

18. INVESTMENTS IN SUBSIDIARIES (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid up share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Comba Technologies Sdn. Bhd.	Malaysia	RM2	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecomunicaciones del Peru S.A.C.	Peru	PEN100,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services

Note:

* These are wholly-foreign-owned enterprises under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INVENTORIES

Group	2014 HK$'000	2013 HK$'000
Raw materials	**314,338**	259,095
Project materials	**254,902**	137,350
Work in progress	**62,204**	98,992
Finished goods	**529,510**	416,382
Inventories on site	**1,073,903**	1,328,576
	2,234,857	2,240,395

20. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

Group	2014 HK$'000	2013 HK$'000
Trade receivables	**4,494,003**	4,660,672
Impairment	**(100,197)**	(47,071)
	4,393,806	4,613,601
Current portion	**(4,381,627)**	(4,530,279)
Long-term portion	**12,179**	83,322

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

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

Group	2014 HK$'000	2013 HK$'000
Within 3 months	**1,696,034**	1,899,831
4 to 6 months	**527,528**	478,763
7 to 12 months	**763,851**	744,908
More than 1 year	**1,506,590**	1,537,170
	4,494,003	4,660,672
Provision for impairment	**(100,197)**	(47,071)
	4,393,806	4,613,601
Current portion	**(4,381,627)**	(4,530,279)
Long-term portion	**12,179**	83,322

20. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES (continued)

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

Group	2014 HK$'000	2013 HK$'000
At 1 January	**47,071**	17,589
Impairment losses recognized	**57,719**	31,831
Exchanged realignment	**(4,593)**	(2,349)
	100,197	47,071

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$100,197,000 (2013: HK$47,071,000) with a carrying amount before provision of HK$117,640,000 (2013: HK$110,838,000).

The individually impaired trade receivables relate to customers that were in default in payments and only a portion of the receivables is expected to be recovered.

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

Group	2014 HK$'000	2013 HK$'000
Neither past due nor impaired	**2,999,593**	3,206,824
Past due but not impaired	**1,376,770**	1,343,010
	4,376,363	4,549,834

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

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

21. NOTES RECEIVABLE

At 31 December 2013 and 2014, none of the notes receivable were endorsed.

All notes receivable of the Group would mature within 6 months.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group	2014 HK$'000	2013 HK$'000
Prepayments	**328,674**	302,223
Deposits	**101,056**	91,769
Other receivables	**193,189**	227,484
	622,919	621,476

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	Group		Company	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Cash and bank balances	**1,274,796**	1,290,858	**1,089**	1,021
Time deposits	**359,115**	375,793	**–**	–
	1,633,911	1,666,651	**1,089**	1,021
Less:				
Time deposits with original maturity of over 3 months	**–**	(298,403)	**–**	–
Restricted bank deposits for bills payable	**(87,555)**	–	**–**	–
Restricted bank deposits for interest-bearing bank borrowings (note 26)	**(187,366)**	–	**–**	–
Restricted bank deposits for performance bonds	**(84,194)**	(77,390)	**–**	–
Cash and cash equivalents	**1,274,796**	1,290,858	**1,089**	1,021

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,147,948,000 (2013: HK$1,159,318,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits earn interest at respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

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

Group	2014 HK$'000	2013 HK$'000
Within 3 months	1,690,095	1,687,390
4 to 6 months	858,623	625,916
7 to 12 months	547,099	1,034,540
More than 1 year	327,053	491,626
	3,422,870	3,839,472

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

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Accruals	272,281	235,147	2,741	2,624
Deposits received	210,331	124,488	–	–
Other payables	695,018	714,532	72,919	72,915
	1,177,630	1,074,167	75,660	75,539

Other payables are non-interest-bearing and have an average term of 1 year.

26. INTEREST-BEARING BANK BORROWINGS

Group	2014 HK$'000	2013 HK$'000
Analyzed into:		
Within 1 year	972,635	1,232,409
In the 2nd to 3rd years, inclusive	678,389	325,667
	1,651,024	1,558,076

26. INTEREST-BEARING BANK BORROWINGS (continued)

As at 31 December 2014, loans denominated in Hong Kong dollars, United States dollars and RMB amounted to HK$251,200,000 (2013: HK$279,873,000), HK$1,125,120,000 (2013: HK$1,132,061,000) and HK$274,704,000 (2013: HK$146,142,000), respectively.

The Group entered into a 3-year term loan facility agreement amounting to US$125,000,000 on 18 June 2014 (the "2014 Facility Agreement") with certain financial institutions.

Under the 2014 Facility Agreement, there are specific performance obligations that Mr. Fok Tung Ling, who is the controlling shareholder of the Company, and Mr. Zhang Yue Jun, who is the substantial shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 35% of the shares (of each class) of and equity interests in the Company free from any security. Pursuant to the 2014 Facility Agreement, both Mr. Fok Tung Ling and Mr. Zhang Yue Jun shall also maintain the ability in leading the management in determining the directions of overall strategies and business development for the Group. At the date of approval of these financial statements, such obligations have been complied with.

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, were parties to the 2014 Facility Agreement acting as guarantors, to guarantee punctual performance of the obligations under the 2014 Facility Agreement.

As at 31 December 2014, the Group had fully utilized the amount of US$125,000,000 (equivalent to HK$969,128,000) under the 2014 Facility Agreement. As at 31 December 2014, the outstanding term loan balance amounted to HK$969,128,000, of which, HK$290,739,000 and HK$678,389,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at 4.6% per annum.

The interest-bearing bank borrowings as at 31 December 2013 included a loan balance of HK$977,002,000 under a 3-year term loan facility agreement amounting to US$210,000,000 (equivalent to HK$1,628,323,000) entered into between the Group and certain financial institutions on 26 June 2012 (the "2012 Facility Agreement"). The loan balance under the 2012 Facility Agreement was fully repaid on 26 June 2014.

As at 31 December 2014, certain short-term loans amounting to HK$155,992,000 were secured by a letter of credit which was pledged by time deposits amounting to HK$187,366,000 (note 23). The loans bear interest at 2.5% per annum.

Other short-term bank loans bear interest at rates ranging from 1.9% to 6.6% (2013: from 1.9% to 6.0%) per annum.

The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values (note 36).

27. PROVISIONS FOR PRODUCT WARRANTIES

Group	2014 HK$'000	2013 HK$'000
At 1 January	**76,182**	78,315
Additional provisions	**48,029**	37,933
Amounts utilized during the year	**(44,441)**	(42,317)
Exchange realignment	**(1,907)**	2,251
At 31 December	**77,863**	76,182

The Group generally provides warranties of 1 to 2 years to its customers on certain of its products, under which faulty products are repaired or replaced. The amount of provisions is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate. During the year, the provisions for product warranties were not discounted as the effect of discounting was not material.

28. SHARE CAPITAL

Shares	2014 HK$'000	2013 HK$'000
Authorized:		
5,000,000,000 (2013: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid or credited as fully paid:		
1,678,815,837 (2013: 1,526,196,229) ordinary shares of HK$0.10 each	**167,882**	152,620

28. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Issued capital HK$'000	Treasury shares HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2013		1,526,196,229	152,620	(14,370)	643,764	782,014
Share award scheme – vested awarded shares transferred to selected persons	(a)	–	–	798	47,018	47,816
At 31 December 2013 and 1 January 2014		**1,526,196,229**	**152,620**	**(13,572)**	**690,782**	**829,830**
Issue of bonus shares	(b)	**152,619,608**	**15,262**	**(59)**	**(15,203)**	**–**
Share award scheme – vested awarded shares transferred to selected persons	(a)	**–**	**–**	**517**	**47,299**	**47,816**
At 31 December 2014		**1,678,815,837**	**167,882**	**(13,114)**	**722,878**	**877,646**

As at 31 December 2014, the total number of issued ordinary shares of the Company was 1,678,815,837 (2013: 1,526,196,229) shares which included 6,453,557 (2013: 11,035,700) shares held under a share award scheme (the"Share Award Scheme") adopted by the Company on 25 March 2011 (note 29(b)).

Notes:

a) During the Current Year, the trustee of the Share Award Scheme transferred 5,168,830 (2013: 7,981,420) ordinary shares of the Company to the selected persons upon vesting of the awarded shares.

b) Pursuant to the extraordinary general meeting held on 8 October 2014, a bonus issue of shares (the "2014 Bonus Issue") on the basis of 1 bonus share for every 10 existing shares held was approved. 152,619,608 bonus shares were issued under the 2014 Bonus Issue and the amount of approximately HK$15,262,000 was capitalized from the Company's share premium account. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

(a) SHARE OPTION SCHEMES

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Schemes, the Share Award Scheme (note 29(b)) and any other incentive or share option schemes of the Company shall not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares already issued and to be issued upon exercise of share options granted to each eligible person under the Schemes and any other share option schemes of the Company (including cancelled, exercised and outstanding share options) in any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

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

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

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(a) SHARE OPTION SCHEMES (continued)

The Company granted 40,000,000 share options on 11 April 2014 with an exercise price of HK$2.180 per share under the 2013 Scheme. The closing price of the Company's shares immediately before the date of such grant was HK$2.170 per share. Following the 2014 Bonus Issue, the exercise price of and the number of share options were adjusted to HK$1.982 per share and 44,000,000 share options respectively.

The following share options were outstanding under the 2013 Scheme during the Current Year:

	2014		2013	
	Weighted average exercise price of share options# HK$ per share	Number of share options# '000	Weighted average exercise price of share options HK$ per share	Number of share options '000
At 1 January	–	–	–	–
Granted during the year	1.982	44,000	–	–
At 31 December	1.982	44,000	–	–

The following share options were outstanding under the 2003 Scheme during the Current Year:

	2014		2013	
	Weighted average exercise price of share options# HK$ per share	Number of share options# '000	Weighted average exercise price of share options* HK$ per share	Number of share options* '000
At 1 January	5.145	38,049	6.060	70,900
Lapsed during the year	5.145	(3,773)	5.810	(6,439)
Expired during the year	–	–	6.570	(29,871)
At 31 December	5.145	34,276	5.660	34,590

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

* The weighted average exercise price of share options per share and the number of share options were adjusted as a result of the bonus issue of shares approved on 23 May 2011 (the "2011 Bonus Issue").

No share options granted under the 2003 Scheme were exercised during the years ended 31 December 2013 and 2014.

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(a) SHARE OPTION SCHEMES (continued)

Movements in the number of the Company's share options under the Schemes during the Current Year are as follows:

	Number of share options									
Name or category of participant	At 1 January 2014	Granted during the year	Adjusted during the year*	Exercised during the year	Expired during the year	Lapsed during the year	At 31 December 2014	Date of grant of share options**	Exercise period of share options	Exercise price of share options# HK$ per share
Executive directors										
Mr. Fok Tung Ling	–	500,000	50,000	–	–	–	550,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
Mr. Zhang Yue Jun	–	500,000	50,000	–	–	–	550,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
Dr. Tong Chak Wai, Wilson	500,000	–	50,000	–	–	–	550,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	1,800,000	180,000	–	–	–	1,980,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	500,000	1,800,000	230,000	–	–	–	2,530,000			
Mr. Yeung Pui Sang, Simon	500,000	–	50,000	–	–	–	550,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	1,500,000	150,000	–	–	–	1,650,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	500,000	1,500,000	200,000	–	–	–	2,200,000			
Mr. Zhang Yuan Jian	500,000	–	50,000	–	–	–	550,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	1,500,000	150,000	–	–	–	1,650,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	500,000	1,500,000	200,000	–	–	–	2,200,000			
Independent non-executive directors										
Mr. Liu Cai	100,000	–	10,000	–	–	–	110,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	100,000	10,000	–	–	–	110,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	100,000	100,000	20,000	–	–	–	220,000			
Mr. Lau Siu Ki, Kevin	100,000	–	10,000	–	–	–	110,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	100,000	10,000	–	–	–	110,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	100,000	100,000	20,000	–	–	–	220,000			
Dr. Lin Jin Tong	–	100,000	10,000	–	–	–	110,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
Mr. Qian Ting Shuo	–	100,000	10,000	–	–	–	110,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
Other employees in aggregate	32,890,000	–	2,946,000	–	–	(3,430,000)	32,406,000	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	–	33,800,000	3,380,000	–	–	–	37,180,000	11 Apr 14	11 Apr 15–10 Apr 19	1.982
	32,890,000	33,800,000	6,326,000	–	–	(3,430,000)	69,586,000			
	34,590,000	40,000,000	7,116,000	–	–	(3,430,000)	78,276,000			

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(a) SHARE OPTION SCHEMES (continued)

* The share options were adjusted as a result of the 2014 Bonus Issue. The number of ordinary shares of HK$0.10 each in the share capital of the Company to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 71,160,000 share options granted under the Schemes was adjusted to 78,276,000 ordinary shares of HK$0.10 each.

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

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

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

31 December 2014 Number of share options^ '000	Exercise price of share options^ HK$ per share	Exercise period
34,276	**5.145**	**12 January 2013 to 11 January 2015**
44,000	**1.982**	**11 April 2015 to 10 April 2019**
78,276		

31 December 2013 Number of share options '000	Exercise price of share options HK$ per share	Exercise period
34,590	5.660	12 January 2013 to 11 January 2015

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

The fair value of the share options granted during the Current Year was HK$29,670,000 (HK$0.74 each), of which the Group recognized a share option expense of HK$10,798,000 during the Current Year.

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(a) SHARE OPTION SCHEMES (continued)

The fair value of equity-settled share options granted during the Current Year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

Dividend yield (%)	2.73
Expected volatility (%)	52.00
Risk-free interest rate (%)	1.34
Expected life of the share options (years)	1.5–2.5
Weighted average share price (HK$ per share)	2.18

The expected life of the share options is based on the historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

The expense recognized in the consolidated statement of profit or loss for employee services received during the Current Year is approximately HK$11,123,000 (2013: HK$8,834,000).

At the end of the reporting period, the Company had 34,276,000 share options outstanding under the 2003 Scheme, all of which were vested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 34,276,000 additional ordinary shares of the Company and additional share capital of HK$3,427,600 and share premium of HK$172,922,000 (before issue expenses).

At the end of the reporting period, the Company had 44,000,000 share options outstanding under the 2013 Scheme, all of which were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 44,000,000 additional ordinary shares of the Company and additional share capital of HK$4,400,000 and share premium of HK$82,808,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 42,944,000 share options outstanding under the Schemes, which represented approximately 2.6% of the Company's shares in issue as at that date.

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(b) SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 25 March 2011 (the "Adoption Date"). The purposes and objectives of the Share Award Scheme are to recognize the contributions made by certain employees and persons to the Group (the "Selected Persons") and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

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

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

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

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

29. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME (continued)

(b) SHARE AWARD SCHEME (continued)

Movements in the number of treasury shares held for the Share Award Scheme and Awarded Shares held for the Selected Persons for the years ended 31 December 2013 and 2014 are as follows:

	Note	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2014		**5,404,190**	**5,631,510**
Lapsed and returned to the Share Award Scheme		**462,680**	**(462,680)**
Vested to the Selected Persons	28(a)	**–**	**(5,168,830)**
Issue of bonus shares		**586,687**	**–**
At 31 December 2014		**6,453,557**	**–**

	Note	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2013		4,628,560	14,388,560
Lapsed and returned to the Share Award Scheme		775,630	(775,630)
Vested to the Selected Persons	28(a)	–	(7,981,420)
At 31 December 2013		5,404,190	5,631,510

No Awarded Shares were outstanding as at 31 December 2014. All Awarded Shares were transferred at no cost to the Selected Persons.

30. RESERVES

(a) GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 52 and 53 of the financial statements.

Pursuant to the relevant laws and regulations of the PRC, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the statutory reserve which is restricted as to use.

30. RESERVES (continued)

(b) COMPANY

	Notes	Share premium account HK$'000	Contributed surplus* HK$'000	Share-based compensation reserve HK$'000	Capital reserve HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2012		643,764	373,108	131,008	762	–	(2,896)	1,145,746
Loss and total comprehensive loss for the year	10	–	–	–	–	–	(4,849)	(4,849)
Share option scheme								
– value of services	29(a)	–	–	8,834	–	–	–	8,834
– adjustment arising from lapse of share options		–	–	(1,561)	–	–	1,561	–
– share options cancelled at expiry date		–	–	(27,614)	–	–	27,614	–
Share award scheme								
– value of services		–	–	22,912	–	–	–	22,912
– vested awarded shares transferred to Selected Persons	29(b)	47,018	–	(47,816)	–	–	–	(798)
At 31 December 2013		690,782	373,108	85,763	762	–	21,430	1,171,845
Profit and total comprehensive income for the year	10	–	–	–	–	–	20,568	20,568
Issue of bonus shares		(15,203)	–	–	–	–	–	(15,203)
Share option scheme								
– value of services	29(a)	–	–	11,123	–	–	–	11,123
– adjustment arising from lapse of share options		–	–	(989)	–	–	989	–
Share award scheme								
– value of services		–	–	4,649	–	–	–	4,649
– vested awarded shares transferred to Selected Persons	29(b)	47,299	–	(47,816)	–	–	–	(517)
2014 Interim dividend		–	–	–	–	–	(18,314)	(18,314)
Proposed final dividend		–	–	–	–	21,825	(21,825)	–
At 31 December 2014		722,878	373,108	52,730	762	21,825	2,848	1,174,151

* The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganization before the listing of the Company on the main board of the Stock Exchange, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus under certain circumstances.

31. CONTINGENT LIABILITIES

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

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in respect of performance bonds	**127,648**	98,555	**–**	–
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**1,389,368**	1,288,016
	127,648	98,555	**1,389,368**	1,288,016

As at 31 December 2014, the banking facilities granted to the subsidiaries subject to guarantees given to the banks by the Company were utilized to the extent of approximately HK$1,268,225,000 (2013: HK$1,278,118,000). The carrying amount of the financial guarantee contracts recognized in the Company's statement of financial position in accordance with HKAS 39 was HK$12,457,000 (2013: HK$8,319,000). The financial guarantee contracts were eliminated on consolidation.

32. OPERATING LEASE ARRANGEMENTS

(a) AS LESSOR

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

As at 31 December 2014, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group	**2014 HK$'000**	2013 HK$'000
Within 1 year	**4,620**	5,587
In the 2nd to 5th years, inclusive	**12,870**	18,495
After 5 years	**976**	1,391
	18,466	25,473

32. OPERATING LEASE ARRANGEMENTS (continued)

(b) AS LESSEE

The Group leases certain of its office premises, warehouses, motor vehicles and staff dormitories under operating lease arrangements. Leases for these properties are negotiated for terms ranging from 1 to 7 years.

As at 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group	**2014 HK$'000**	2013 HK$'000
Within 1 year	**42,305**	65,487
In the 2nd to 5th years, inclusive	**37,199**	44,588
After 5 years	**1,760**	3,881
	81,264	113,956

33. COMMITMENTS

In addition to the operating lease commitments detailed in note 32(b) above, the Group had the following capital commitments for the buildings and the procurement of production facilities at the end of the reporting period:

Group	**2014 HK$'000**	2013 HK$'000
Contracted, but not provided for:		
Buildings	**1,974**	1,974
Plant and machinery	**6,001**	2,154
	7,975	4,128

34. RELATED PARTY TRANSACTIONS

(a) The Group had no significant transactions with related parties during the year 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:

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**19,822**	20,895
Equity-settled share option expense	**1,842**	594
Awarded share expense	**545**	2,695
Pension scheme contributions	**307**	333
Total compensation paid to key management personnel	**22,516**	24,517

The related party transactions in respect of directors' remuneration mentioned above were connected transactions as defined in Chapter 14A of the Listing Rules but exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of directors' remuneration are included in note 8 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	Loans and receivables	
Group	**2014 HK$'000**	2013 HK$'000
Financial assets		
Trade receivables	**4,381,627**	4,530,279
Long-term trade receivables	**12,179**	83,322
Notes receivable	**149,684**	85,703
Financial assets included in prepayments, deposits and other receivables (note 22)	**294,245**	319,253
Restricted bank deposits	**359,115**	77,390
Cash and cash equivalents	**1,274,796**	1,589,261
	6,471,646	6,685,208

35. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

Group	Financial liabilities at amortized cost 2014 HK$'000	Financial liabilities at amortized cost 2013 HK$'000
Financial liabilities		
Trade and bills payables	**3,422,870**	3,839,472
Financial liabilities included in other payables and accruals (note 25)	**719,645**	741,962
Interest-bearing bank borrowings	**1,651,024**	1,558,076
	5,793,539	6,139,510

Company	Loans and receivables 2014 HK$'000	Loans and receivables 2013 HK$'000
Financial assets		
Due from subsidiaries	**1,063,200**	1,038,200
Cash and cash equivalents	**1,089**	1,021
	1,064,289	1,039,221

Company	Financial liabilities at amortized cost 2014 HK$'000	Financial liabilities at amortized cost 2013 HK$'000
Financial liabilities		
Due to a subsidiary	**316,779**	294,085
Financial liabilities included in other payables and accruals (note 25)	**72,919**	72,915
Financial guarantee contracts	**12,457**	8,319
	402,155	375,319

36. 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, deposits and other receivables, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank borrowings, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

The fair values of the non-current portion of restricted bank deposits, trade receivables 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. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2014 was assessed to be insignificant.

As at 31 December 2013 and 2014, the carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values.

The Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2013 and 2014.

The fair value of the financial guarantee contracts of the Company was measured at fair value using significant unobservable inputs of level 3 of the fair value measurement hierarchy. The fair value of the financial guarantee approximates to the expected loss based on the probability of default of the guarantors. The probability of default was around 1.693% to 1.863%. The expected recovery rate was 60%. The discount factor was derived from the Hong Kong dollar and United States dollar swap rates quoted from Bloomberg as at the valuation date.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarized below.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

INTEREST RATE RISK

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligation with floating rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in interest rate, with all other variables held constant, of the Group's profit/(loss) before tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
United States dollars	**50**	**(3,392)**	**–**
United States dollars	**(50)**	**3,392**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2013			
United States dollars	50	1,628	–
United States dollars	(50)	(1,628)	–

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 5.6% (2013: 6.6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 89.0% (2013: 90.6%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar ("US$") exchange rate, with all other variables held constant, of the Group's profit/(loss) before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2014			
If Hong Kong dollar weakens against US$	**5**	**(46,593)**	**–**
If Hong Kong dollar strengthens against US$	**(5)**	**46,593**	**–**
If Brazil dollar weakens against US$	**5**	**(33,431)**	**–**
If Brazil dollar strengthens against US$	**(5)**	**33,431**	**–**

	Increase/ (decrease) in US$ rate %	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2013			
If Hong Kong dollar weakens against US$	5	50,252	–
If Hong Kong dollar strengthens against US$	(5)	(50,252)	–
If Brazil dollar weakens against US$	5	34,830	–
If Brazil dollar strengthens against US$	(5)	(34,830)	–

* Excluding retained profits

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determining of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is not significant. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk arising from other financial assets of the Group, which comprise cash at banks, notes receivable and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group has certain concentrations of credit risk as 43% (2013: 44%) and 83% (2013: 81%) of the Group's trade receivables were due from the Group's largest customer and the 5 largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and long-term trade receivables are disclosed in note 20 to the financial statements.

LIQUIDITY RISK

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. In addition, banking facilities have been put in place for contingency purposes. The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2014		
Group	Within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	1,032,900	712,221	1,745,121
Trade and bills payables	3,422,870	–	3,422,870
Financial liabilities included in other payables and accruals	719,645	–	719,645
	5,175,415	712,221	5,887,636

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

Group	Within 1 year HK$'000	2013 1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	1,272,461	331,115	1,603,576
Trade and bills payables	3,839,472	–	3,839,472
Financial liabilities included in other payables and accruals	741,962	–	741,962
	5,853,895	331,115	6,185,010

Company	**2014 Within 1 year HK$'000**	2013 Within 1 year HK$'000
Due to a subsidiary	**316,779**	294,085
Financial liabilities included in other payables and accruals	**72,919**	72,915
Financial guarantee contracts	**12,457**	8,319
	402,155	375,319

CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2014.

Capital is the total equity of the Group. The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by the total assets. The gearing ratios as at the end of the reporting periods were as follows:

Group	**2014 HK$'000**	2013 HK$'000
Interest-bearing bank borrowings	**1,651,024**	1,558,076
Total assets	**10,136,732**	10,318,277
Gearing ratio	**16.3%**	15.1%

38. EVENTS AFTER THE REPORTING PERIOD

On 25 March 2015, the Board proposed to increase the share capital of the Company by capitalizing the share premium of the Company and bonus shares will be allotted, issued and despatched to the shareholders on the basis of 1 bonus share for every 10 existing ordinary shares held by the shareholders whose names are shown on the register of members of the Company on 10 June 2015, being the record date for determination of entitlements to the bonus issue. Based on the total of 1,678,815,837 shares in issue as at 31 December 2014 and assuming no further shares will be issued or purchased before 10 June 2015, approximately 167,881,583 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$167,882,000 to approximately HK$184,670,000 upon completion of the bonus issue. The amount of approximately HK$16,788,000 will be capitalized from the Company's share premium account.

The bonus issue and the increase in the Company's share capital will be subject to, among others, shareholders' approval at the forthcoming annual general meeting, the grant of listing approval of the bonus shares and compliance with the relevant legal procedures and requirement (if any) under the applicable laws of the Cayman Islands and the articles of association of the Company.

39. COMPARATIVE AMOUNTS

During the year, certain comparative amounts have been adjusted to conform with the Current Year's presentation.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 25 March 2015.

5 YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the published audited financial statements and restated/reclassified upon the adoption of the new and revised HKFRSs as appropriate, is set out below:

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000
RESULTS					
REVENUE	**6,733,214**	5,720,599	6,332,867	6,354,218	5,191,358
Cost of sales	**(4,973,204)**	(4,355,013)	(4,716,988)	(4,027,521)	(3,251,658)
Gross profit	**1,760,010**	1,365,586	1,615,879	2,326,697	1,939,700
Other income and gains	**60,903**	68,408	68,854	110,269	44,499
Research and development costs	**(192,986)**	(207,158)	(376,766)	(361,914)	(210,912)
Selling and distribution expenses	**(509,477)**	(505,566)	(503,749)	(437,088)	(265,622)
Administrative expenses	**(789,727)**	(788,888)	(904,640)	(830,714)	(627,514)
Other expenses	**(65,524)**	(37,107)	(5,073)	(1,331)	(2,631)
Finance costs	**(61,147)**	(55,153)	(42,635)	(29,403)	(20,790)
PROFIT/(LOSS) BEFORE TAX	**202,052**	(159,878)	(148,130)	776,516	856,730
Income tax expense	**(47,532)**	(84,867)	(67,515)	(121,772)	(119,540)
PROFIT/(LOSS) FOR THE YEAR	**154,520**	(244,745)	(215,645)	654,744	737,190
Attributable to:					
Owners of the parent	**151,061**	(240,722)	(202,364)	659,084	724,326
Non-controlling interests	**3,459**	(4,023)	(13,281)	(4,340)	12,864
	154,520	(244,745)	(215,645)	654,744	737,190
TOTAL ASSETS	**10,136,732**	10,318,277	10,091,711	9,581,332	7,262,426
TOTAL LIABILITIES	**(6,370,777)**	(6,590,386)	(6,229,552)	(5,498,508)	(3,953,401)
NON-CONTROLLING INTERESTS	**(56,164)**	(54,095)	(56,537)	(68,760)	(69,501)
	3,709,791	3,673,796	3,805,622	4,014,064	3,239,524

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