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

2015

ANNUAL REPORT 年報

Exploring Opportunities, Creating Value,
Reforming Mechanism, Enhancing Efficiency

開拓商機，創新價值，變革機制，提升效能

COMPANY PROFILE
公司概況

Established in 1997 and listed on the Main Board of 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, antenna 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 2,100 Chinese and international patents. Our global manufacturing base, located in Guangzhou Economic and Technological Development District, 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.

In September 2009, Comba Telecom was named "Asia's 200 Best Under A Billion" by Forbes. Additionally, the Company has been included into several indexes including MSCI China Small Cap Index, Hang Seng Composite Index (Information Technology Industry Index, MidCap & SmallCap Index and SmallCap Index), Hang Seng Global Composite Index, Hang Seng Internet & Information Technology Index, as well as Hang Seng Corporate Sustainability Benchmark 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、美國華盛頓市及加利福尼亞州分別設有研究所，已申請國內外專利約2,100項。在中國廣州經濟技術開發區，本公司建有全球生產基地，廠房面積約80,000平方米。

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。

京信通信於2009年9月獲《福布斯》選為「亞太區中小企200強」。此外，本公司已獲納入多項指數，包括MSCI中國小型股指數、恒生綜合指數(資訊科技業指數、中小型股指數及小型股指數)、恒生環球綜合指數、恒生互聯網科技業指數及恒生可持續發展企業基準指數。

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling *(Chairman)*
Zhang Yue Jun *(Vice Chairman & President)*
Tong Chak Wai, Wilson
Zheng Guo Bao
Yeung Pui Sang, Simon
Zhang Yuan Jian

Independent Non-Executive Directors

Liu Cai
Lau Siu Ki, Kevin
Lin Jin Tong
Qian Ting Shuo

COMPANY SECRETARY

Tong Chak Wai, Wilson

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Fok Tung Ling
Tong Chak Wai, Wilson

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

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

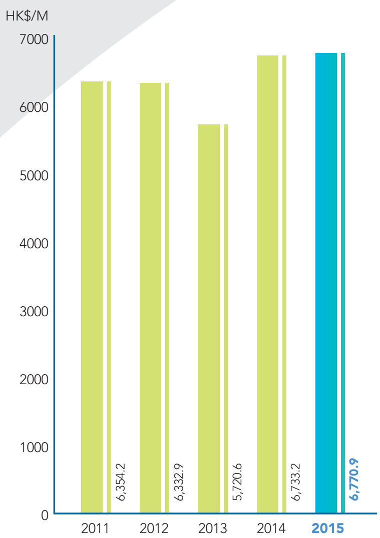
Bank of China Limited
Guangzhou Development Zone Branch
2 Qingnian Road GETD District
Guangzhou PRC

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

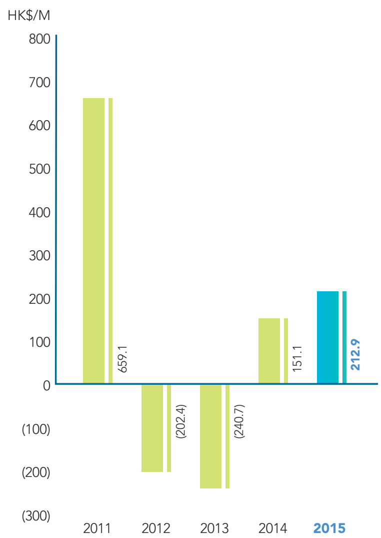
China Merchants Bank Co Ltd
Guangdong Branch Gaoxin Sub-branch
1 Huajing Road 1st Floor
Southern Communication Plaza
Guangzhou PRC

FINANCIAL SUMMARY

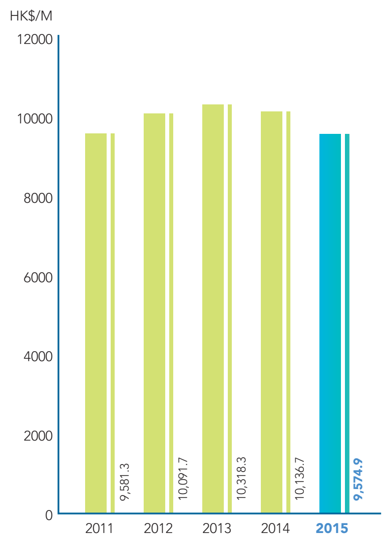
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT



TOTAL ASSETS



REVENUE BREAKDOWN BY BUSINESSES

▲/▼ = YoY change

▲ 18.2% Antennas & Subsystems
45.7%

▼ 15.2% Wireless Access & Transmission
4.2%

▼ 12.0% Wireless Enhancement
14.8%

▼ 9.4% Services
35.3%

REVENUE BREAKDOWN BY CUSTOMERS

▲/▼ = YoY change

▼ 34.1% China Mobile
31.2%

▲ 83.1% China Unicom
25.6%

▲ 38.6% China Telecom
23.3%

▼ 15.8% International Customers & Core Equipment Manufacturers
16.8%

▲ 132.7% Others
3.1%

FINANCIAL SUMMARY

For the year ended 31 December	2015 HK$'000	2014 HK$'000	Change
Revenue	**6,770,894**	6,733,214	0.6%
Gross profit	**1,914,490**	1,760,010	8.8%
Gross profit margin	**28.3%**	26.1%	2.2 pp
Operating profit	**396,540**	263,199	50.7%
Profit attributable to owners of the parent	**212,876**	151,061	40.9%
Net profit margin	**3.1%**	2.2%	0.9 pp
Basic earnings per share (HK cents)*	**10.52**	7.47 *(restated)*	40.8%
Paid interim dividend per ordinary share (HK cents)	**1.5**	1.2	25%
Proposed final dividend per ordinary share (HK cents)	**1.8**	1.3	38.5%
Total dividends per ordinary share (HK cents)	**3.3**	2.5	32.0%
Issued bonus shares (interim)	**1 for 10**	1 for 10	N.A.
Proposed bonus issue of shares (final)	**1 for 10**	1 for 10	N.A.
Net operating cash flows	**1,089,433**	141,259	671.2%

KEY FINANCIAL FIGURES

As at 31 December	2015 HK$'000	2014 HK$'000	Change
Total assets	**9,574,875**	10,136,732	(5.5%)
Net assets (before non-controlling interests)	**3,652,531**	3,709,791	(1.5%)
Net assets per share (HK dollars)*	**1.80**	1.83 *(restated)*	(1.6%)
Net cash/(debt)	**647,829**	(17,113)	3,885.6%
Cash and bank balances	**2,018,661**	1,633,911	23.5%
Inventory turnover days	**149**	164	(15) Days
A/R turnover days	**225**	244	(19) Days
A/P turnover days	**251**	267	(16) Days
Gross gearing ratio	**14.3%**	16.3%	(2.0) pp
Dividend payout ratio**	**31.4%**	27.7%	3.7 pp
Return on average equity	**5.8%**	4.1%	1.7 pp

* Basic earnings per share and net assets per share as at 31 December 2014 was adjusted to reflect the bonus issues during the Current Year.

** Calculation is based on basic EPS.

CORPORATE MILESTONE 2015

Typical Projects

Wireless repeater projects for Singtel in Singapore and Optus in Australia

Communication coverage solution for phase two of Xinzheng International Airport in Zhengzhou

Networks coverage solution for Alfamart retail group in Indonesia

Networks coverage solution for Buenos Aires Airport in Argentina

Networks coverage solution for Guangzhou Chow Tai Fook Financial Center (Tower East), the highest building in Guangzhou

Comba MDAS products deployed the Forbidden City

DAS coverage solution for Chuquicamata copper mine in Chile

Antennas deployed in Smart City project in Portugal

Corporate Awards

Guangdong Inventor Award

Becoming a member of the first presidium of China WIFI Industry Alliance

Guangdong Patent Award

Awarded “2015 Comprehensive Best Employer Award”

CHAIRMAN'S STATEMENT

40.9%

NET PROFIT

HK$212,876,000

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 2015 (the "Current Year").

In 2015, the growth trend of China's economy has somewhat changed in the face of the complicated and challenging global economy. However, by advancing the development of our business in a carefully considered and prudent manner, the Group has maintained the revenue at a stable level, amounting to HK$6,770,894,000. Meanwhile, profit attributable to owners of the parent ("Net Profit") for the Current Year substantially increased by 40.9% to HK$212,876,000 as compared with that of the year ended 31 December 2014 (the "Prior Year"), due to the efforts of the Group to improve the gross profit margin of our products, and implement management system reform with the aim to refine its business operations and boost its overall operational efficiency. The performance of the Group has been encouraging as earnings have continued a rising trend following a successful turnaround in the Prior Year.

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 HK1.8 cents per ordinary share. Combined with the distributed interim dividend of HK1.5 cents per ordinary share, the total dividends of the Company for the Current Year were HK3.3 cents per ordinary share. In addition, the Board also recommended issuing 1 new ordinary share of HK10 cents for every 10 ordinary shares held.

Over the past year, several products of Comba Telecom have been successfully included on the main vendor list with their proven quality. Further, the Group's solid position at the forefront of the list of global "Tier 1 Supplier" of base station antennas for many consecutive years has enabled Comba Telecom to maintain a leading market share. Meanwhile, Comba Telecom has made brilliant achievements through undertaking landmark wireless projects at home and abroad, such as a number of A-grade commercial buildings, large-scale business centers as well as meeting venues and sports stadiums.

Looking ahead, the innovation economy will continue to achieve a leapfrog development and represent an indispensable addition to the drivers of economic growth. By now, development of the big data industry is on the upswing attributable to continuously evolving mobile telecommunications technology, strengthening wireless infrastructure, wider availability of seamless connectivity and network coverage, increasing sophistication of mobile devices with greater functionality and more applications as well as rising mobile broadband subscriptions and data consumption. In the future, vast amount of devices and users will access through the networks with enhanced connectivity to the global market interconnected by the expanding internet. These factors have combined to foster the development of mobile internet-of-things, enable data sharing, cross-domain network convergence and its practical applications, thus advancing the progress of intelligent development of a diverse set of industries. In this context, we are witnessing transformation and renovation in commercial patterns and a progressively changing model of global economic development that creates unprecedented needs for newly generated demand, newly explored markets, as well as new products and services.

With a determined spirit, Comba Telecom is strengthening its leading position in existing markets while strategically deploying its businesses in cutting-edge areas by focusing on the development of new businesses with maximum synergies. The Group will leverage its distinctive advantages to seize the best opportunity. For consolidation of market position, the Group has accelerated product upgrade and improved product performance to keep up with the fast evolving mobile network; innovative solutions have been launched on a continuous basis to satisfy the demand from customers generated by the industrial transformation and upgrade.

As for innovative businesses development, based on value innovation, the Group sets forth its visionary blue ocean strategy focusing on long-term and sustainable development in face of boundless business opportunities under the rapidly evolving digital economy. In executing this strategy, Comba Telecom devotes its efforts to opening up new markets and mining new demand by thinking out of the box and concentrates on expanding into various niche areas such as enterprise network communications, industry application Wi-Fi communications and smart solutions capitalizing on its strengths in the wireless area. The aim of the strategy is to deliver higher value for the Group's customers and optimize the utilization of its resources, thereby creating maximum synergies. In June last year, the Group formed a joint venture principally engaging in the R&D and promotion of intelligent solutions together with independent third parties to expand the market for a nationwide indoor location-based service system. This joint venture aims not only to fully utilize the wireless smart devices of Comba Telecom, comprising intelligent gateway, industry application Wi-Fi and big data analysis management system, to realize value enhancement through GPS navigation, secondary marketing and entertainment experience improvement etc. The venture is also intended to take advantage of the Group's leadership in wireless market to merge niche markets and integrate demands, and, in turn, bring new customers and new opportunities. In the future, the Group also plans to proactively seek more co-operation or merger opportunities with greater of synergy potential in a prudent manner.

Lingering macroeconomic uncertainties are expected to still have impact on multiple industries in the coming year. However, the Group has successfully weathered through and seized chances in the face of challenges over the years by virtue of our firm determination to persistently invest in and maintain our enthusiasm for innovation, and our staff's unceasing pursuit. In 2015, the rising Net Profit has been an encouraging development and demonstrated the Group's strategy executed to attain business and management reform is working well. Therefore, the implementation of this strategy is laying a solid foundation for the long-term and sustainable development of the Group under the overarching strategic direction of business transformation and upgrade. We are determined to achieve greater breakthroughs in the future through persistent efforts as a means to express our appreciation for the shareholders' support over the years.

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

Fok Tung Ling
Chairman
Hong Kong
22 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

671.2%

NET OPERATING CASH FLOWS

HK$1,089,433,000

BUSINESS AND FINANCIAL REVIEW

REVENUE

In spite of the recent turmoil in global financial markets and falling sentiment due to the slowdown in the economic growth of Mainland China, optimism about the mobile telecommunications industry continues amid global uncertainty as the industry continued to operate in a smooth and orderly fashion throughout the past year driven by the evolving digital economy. As a result, Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") reported stable revenue amounting to HK$6,770,894,000 (2014: HK$6,733,214,000) for the year ended 31 December 2015 (the "Current Year").

During the Current Year, revenue from mobile broadband (3G and 4G) projects was HK$3,459,000,000 (2014: HK$3,095,000,000), representing an increase of 11.8% over the year ended 31 December 2014 (the "Prior Year") and accounting for 51.1% (2014: 46.0%) of the Group's total revenue.

By Customers

Revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as the "China Mobile Group") was HK$2,114,042,000 (2014: HK$3,209,402,000), down by 34.1% compared to the Prior Year and accounted for 31.2% (2014: 47.7%) of the Group's revenue.

Revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as the "China Unicom Group") increased substantially by 83.1% over the Prior Year to HK$1,734,219,000 (2014: HK$947,396,000), accounting for 25.6% of the Group's revenue in the Current Year, compared to 14.1% in the Prior Year.

Revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as the "China Telecom Group") increased satisfactorily by 38.6% over the Prior Year to HK$1,576,667,000 (2014: HK$1,137,773,000), accounting for 23.3% of the Group's revenue in the Current Year, compared to 16.9% in the Prior Year.

On the international front, despite stable revenue generated from international customers, revenue from core equipment manufacturers saw a decrease. Consequently, revenue of this segment, in aggregate, slipped 15.8% to HK$1,134,588,000 (2014: HK$1,347,810,000), accounting for 16.8% (2014: 20.0%) of the Group's revenue in the Current Year. The decrease from core equipment manufacturers was mainly due to more direct procurement by mobile network operators instead of subcontracting through core equipment manufacturers.

Additionally, in view of the growing demand for wireless solutions for enterprise networks, revenue generated from other customers, mainly corporate clients, surged to HK$211,378,000 (2014: HK$90,833,000), representing 3.1% (2014: 1.3%) of the Group's revenue in the Current Year.

By Businesses

Revenue generated from the antennas and subsystems business increased by 18.2% over the Prior Year to HK$3,092,156,000 (2014: HK$2,616,403,000), accounting for 45.7% (2014: 38.8%) of the Group's revenue in the Current Year. The increase in revenue was mainly due to a steadily growing product demand for continuous 4G network build-outs following the issuance of LTE FDD licenses in Mainland China in early 2015.

Revenue generated from the wireless enhancement business in the Current Year fell 12.0% to HK$1,004,095,000 (2014: HK$1,141,617,000) over the Prior Year, accounting for 14.8% (2014: 17.0%) of the Group's revenue. Due to greater awareness of a pressing need for wireless enhancement in Mainland China after 4G network buildout, the management believes that the wireless enhancement market will pick up in the coming year.

Revenue generated from the wireless access and transmission business in the Current Year decreased by 15.2% over the Prior Year to HK$285,952,000 (2014: HK$337,278,000) and accounted for 4.2% (2014: 5.0%) of the Group's revenue. With the launch of new product lines of industry application Wi-Fi and satellite communications equipment, the management expects revenue from the wireless access and transmission business will gradually improve in the coming year.

Revenue from services declined 9.4% over the Prior Year to HK$2,388,691,000 during the Current Year (2014: HK$2,637,916,000), accounting for 35.3% (2014: 39.2%) of the Group's revenue. In view of the improving wireless solutions market and the evolving digital economy, the management expects that the revenue from services will also improve in the coming year.

GROSS PROFIT

During the Current Year, the Group's gross profit surged 8.8% over the Prior Year to HK$1,914,490,000 (2014: HK$1,760,010,000). The gross profit margin was 28.3% in the Current Year (2014: 26.1%), up by 2.2 percentage points compared to the Prior Year. The increase was mainly due to lower production costs as a result of the enhanced production system.

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

RESEARCH AND DEVELOPMENT ("R&D") COSTS

During the Current Year, R&D costs increased by 19.7% over the Prior Year to HK$230,916,000 (2014: HK$192,986,000), representing 3.4% (2014: 2.9%) of the Group's revenue but the Group managed to keep the percentage of R&D costs to revenue at a reasonable level. The increase in R&D costs is essential to foster innovation, enhance competitiveness and to achieve growth amidst the digitalization of the mobile telecommunications industry.

With its strong commitment to R&D, the Group has achieved significant accomplishments in creating its own solutions with proprietary intellectual property rights and has applied for more than 2,100 patents as at the end of the Current Year (As at 31 December 2014: approximately 1,900 patents).

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Year, S&D expenses dropped 7.2% over the Prior Year to HK$472,976,000 (2014: HK$509,477,000), representing 7.0% (2014: 7.6%) of the Group's revenue. The Group is committed to further boost business efficiency and expects to maintain S&D expenses at an optimal level.

ADMINISTRATIVE EXPENSES

During the Current Year, administrative expenses increased by 5.9% over the Prior Year to HK$836,216,000 (2014: HK$789,727,000), representing 12.4% (2014: 11.7%) of the Group's revenue. The increase in administrative expenses was mainly due to the impact of a foreign exchange loss of more than HK$130,000,000.

FINANCE COSTS

During the Current Year, finance costs increased by 10.8% over the Prior Year to HK$67,722,000 (2014: HK$61,147,000), representing 1.0% (2014: 0.9%) of the Group's revenue. The increase in finance costs was mainly due to higher bank borrowing costs.

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

In addition, the management has utilized the advantages of interest and foreign exchange rate differentiation among different countries in order to minimize finance costs. As of 31 December 2015, the gross gearing ratio of the Group, defined as total interest-bearing borrowings divided by total assets, stood at a healthy level of 14.3% compared to 16.3% as of 31 December 2014.

OPERATING PROFIT

During the Current Year, the operating profit of the Group rose significantly by 50.7% over the Prior Year to HK$396,540,000 (2014: HK$263,199,000) even after deducting an exchange loss of HK$134,842,000. The increase in the operating profit was attributable to continuous improvement in overall gross profit margin and greater operational effectiveness as a result of a diverse set of effective cost control measures implemented.

TAX

During the Current Year, the Group's overall taxation charge of HK$109,755,000 (2014: HK$47,532,000) comprised income tax expense of HK$115,530,000 (2014: HK$77,200,000) and deferred tax credit of HK$5,775,000 (2014: deferred tax credit of HK$29,668,000). The increase in the overall taxation charge was mainly due to the increase in operating profit of the Group.

Details of a 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, with the growth of operating profit of the Group, profit attributable to owners of the parent ("Net Profit") was HK$212,876,000 (2014: HK$151,061,000), representing an increase of 40.9% compared to the Prior Year.

OTHERS

During the Current Year, the Group announced the successful appeal in the judgement held against Comba Telecom Systems (China) Limited, a subsidiary of the Group, in relation to the bribes alleged to have been offered by a former employee of the Group (the "Court Case"). The appeal was resolved by a criminal judgment handed down by the Guangzhou City Intermediate People's Court on 15 December 2015 that the criminal judgement made by the Guangzhou City Tianhe District People's Court (the "District Court") on 15 January 2015 be discharged and ordered the District Court to retry the Court Case. Further announcement will be made as and when appropriate by the Group.

DIVIDEND AND BONUS ISSUE

In view of the Group's operating results in 2015 and taking into consideration its long-term future development and the interests of shareholders of the Company, particularly those of minority shareholders, the board of directors of the Company (the "Board") proposes a final dividend for 2015 of HK1.8 cents (2014: HK1.3 cents) per ordinary share. Together with the interim dividend of HK1.5 cents (2014 interim: HK1.2 cents) per ordinary share, the total dividend for the whole year amounted to HK3.3 cents (2014: HK2.5 cents) per ordinary share, and the total payout ratio, on the basis of basic earnings per share, is 31.4% (2014: 27.7%).

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 Friday, 3 June 2016 or such other date as may be determined by the Board. The relevant resolution(s) are to be proposed at the annual general meeting held on Friday, 27 May 2016 and if duly passed by shareholders, the dividend warrants, together with the share certificates for the bonus shares are to be dispatched on Tuesday, 14 June 2016.

PROSPECTS

Looking ahead to 2016, due to rising global economic uncertainties, enterprises are more prudent in budgeting and capital expenditure. Nonetheless, the Group remains cautiously optimistic about the prospects of the mobile telecommunications industry which is relatively less susceptible to transitory uncertainties in view of the solid demand underpinned by the uninterrupted expansion of the subscriber base, greater demand for superior data services driven by rapid migration to mobile broadband and evolution of the vibrant digital economy. Further, the Group will closely monitor market changes and adjust strategies in a timely manner.

By the end of 2015, global mobile subscriptions edged up to more than 7.4 billion, of which mobile broadband subscriptions increased to approximately 3.6 billion from 2.9 billion a year ago accounting for approximately 48% of the total subscriptions. In Mainland China, mobile broadband is currently the prevailing communications technology with about 785 million subscriptions, accounting for more than 60% of total mobile subscriptions and representing an increase of about 15 percentage points year-on-year. In addition to the rise in mobile subscriptions, mobile data traffic continued to grow strongly across regions. In Mainland China, for instance, data generated by mobile phones reached 3.76 billion gigabytes, growing by 110% year-on-year and accounting for almost 90% of aggregate mobile internet data traffic. The increasing proliferation and affordability of smart devices and mobile data service plans also boosted data consumption along with improving network coverage and capabilities. The Group believes that those positive figures were the basic drivers to industry growth and are conducive to the development of the mobile telecommunications industry.

The Group believes that the opportunities underpinning the robustly growing digital economy are enormous for the foreseeable future. As the digital era unfolds, the whole ecosystem is radically changing in mobile technologies, equipment functionalities, the mobile marketplace, consumer behavior, etc. People are increasingly embracing a lifestyle that can be handled with their mobile devices, such as making financial payments, tracking health and lifestyle factors, managing the home environment, etc. The industry transformation from mobile devices and services to operating models and value proposition is progressing. To ride on this trend, the Group will reshape its strategies in a timely manner to drive innovations into new niche areas as well as to maintain its position in areas where it has long-established leadership. Meanwhile, the Group continues to restructure the organization to proactively embrace market changes as well as to achieve greater operational excellence.

1. BOLSTERING EDGES FUELING SUSTAINABLE GROWTH

The Group has a long-established leading position in the wireless and antenna markets. Looking ahead, the Group is confident it can maintain a strong market position in spite of intensified market competition through its in-depth customer insight, strong R&D capability, all-round services and, more importantly, its high commitment to quality and excellence.

Wireless Solutions

No matter how quickly the next generation of communications technologies evolves, the backbone of industry digitalization is a well-developed and reliable high-performance infrastructure which enables communication and connectivity within and across borders. Hence, the Group envisions a superb network integrating all forms of accesses through a converged architecture combining the best of next generation technologies to emerge someday. Despite temporary unsatisfactory market performance, the Group firmly believes there remains a pressing need for mobile network operators to invest in network optimization basically driven by increasing urbanization, informatization and digitalization. As such, the Group continues to devote resources to further bolster its competitive edges in the wireless solutions arena through new generations of products and solutions for maintaining higher levels of reliability, interoperability, adaptability and security in the network infrastructure.

Encouraging progress has been achieved in winning some sizeable in-building projects for key commercial buildings, regional conferences and exhibitions during the Current Year in both domestic and overseas markets. Moreover, certain of the Group's wireless equipment has been successfully included in the main vendor list of the mobile network operators, evidence of the growing importance of wireless equipment in the mobile network supply chain. In addition to the recent contract awards, the Group expects to secure more network optimization tenders in the coming year as compared to 2015.

On the other hand, 4G network enhancement investment phrase will commence in Mainland China following the massive investment in network rollout by the mobile network operators when the 4G era kicked off two years ago. As such, the management remains a cautiously optimistic view about the overall wireless enhancement market due to the deepened basic needs driven by the widespread adoption of mobile applications and growing application of Internet-of-Things across multiple sectors.

Antennas & Subsystems

According to the latest published market research, Comba Telecom has again been named global "Tier 1 Supplier" for base station antennas. Four global "Tier 1 Suppliers" collectively accounted for more than half of total global base station antenna market share in 2015. The Group is confident that its global leadership position will remain solid in a long run. On one hand, it is believed that replacement cycle for base station antennas will soon occur in near future. In the meantime the Group is allocating more resources to market other radio frequency ("RF") products other than base station antennas, such as point-of-interface ("POI") and some niche products which the Group has to date not yet deeply explored. Riding on the brand reputation and successful experience in the base-station antennas sector, the management is confident that the Group can develop other product lines to fuel sustainable growth in the future.

2. INNOVATIVE BUSINESSES DRIVING GREATER VALUE ENHANCEMENT

The advancing market and the evolution of digital economy open up new areas of opportunity. To seize these opportunities, the Group is aligning its innovation strategy with its core value proposition while pursuing a well-defined focused road map to transform innovations into products and solutions that bring sweeping changes to society.

Enterprise Network Communications

As virtualization and cloud computing technologies are making inroads as a viable part of the enterprise infrastructure, the Group envisages that enterprise networking is eventually poised to achieve mainstream prominence. The enterprise network is the communications backbone of an enterprise, which enables connectivity and interoperability among computers and other devices and systems across various departments and workgroups to enhance data accessibility and management. Steering towards sustainable growth under a tech-driven economy, business operators are overhauling their networks with a focus on leveraging big data, enabling mobile productivity and improving responsiveness and efficiency of the business.

In view of the enormous untapped potential, the Group is progressively pushing its past boundaries by developing various highly customized enterprise network communications solution suites to accommodate the specific needs of business operators, such as railway communications solutions, security communications solutions, marine communications solutions, etc. Moreover, the Group is striving to leverage its strengths in wireless solutions to create synergies to power this new business expansion.

Industry Application Wi-Fi Communications

The traditional Wi-Fi market has become saturated but the industry application Wi-Fi sector is just at the starting point and still has a long way to develop. To introduce a brand new Wi-Fi business model for the business customers, the Group has re-designed the Wi-Fi product line by incorporating new concepts. The industry application Wi-Fi solutions offered by the Group provide more than just internet access with lower costs and complexity, but also add a breadth of new features, such as pushing advertisements over the Wi-Fi networks and providing online services so as to drive more sales. Business operators can also realize large data collection and mining, and thus optimize their business strategies. In addition, these new solutions are highly customized with a greater level of security and sophisticated network system management, which can be applied across a wide range of businesses in the hospitality, transportation, healthcare, retail and other sectors.

Aiming to take the first-mover advantage, the Group has formed a joint venture ("JV") principally engaged in the business of nationwide indoor location-based service ("LBS") systems, a kind of industry application Wi-Fi communications solution, during the Current Year. The JV initially targets to promote its LBS solutions for large-scale shopping arcades in major Mainland China cities.

The true value of the LBS system lies not only on providing internet access services to consumers to enhance the hospitality experience of consumers, but its ingenious concept of generating deep customer insights via its cutting-edge technologies in accessing, compiling, interconnecting and analyzing very large data flows in real time. This big data capability assists business operators to devise marketing strategies and property owners to devise configuration and positioning strategies. Building on this concept, the Group plans to gradually promote its industry application Wi-Fi solutions to dining facilities, recreational facilities, healthcare centers, among others, and to explore more applications scenarios via various marketing channels.

Satellite Communications

Satellites represent a viable backhaul option to empower cellular connectivity, especially when the terrestrial backhaul is unavailable. With ever-widening commercial applications tapping satellite capabilities, the emergence of more affordable satellite communications solutions due to technology advances, use of satellites is gaining popularity for broadband transmission.

The Group therefore is taking a stepwise approach to add a new dimension to its product portfolio horizontally by offering new self-developed satellite solutions. The block up converter ("BUC") is one of the key devices of the satellite communications system for satellite signal transmission for which overseas companies are used to be the major suppliers. Successfully mastering the technology, the Group's BUC was created utilizing its global R&D resources backed by the strong domestic manufacturing capabilities. It is ready to launch this new product line and will strive to build a presence in this niche area in Mainland China market riding on the synergies with its leadership in wireless solutions.

Internet-of-Things ("IoT") and Big Data Analytics

In the burgeoning digital economy, many companies are devising their own digital strategies focusing on "Internet Plus". On the other hand, considering that in today's era, data is a core asset which constitutes a vital resource for innovation, new industries and services, and, ultimately, competitive advantages of the enterprises. The Group has therefore taken another approach to its digital strategy through combining the best of both worlds by merging IoT and big data analytics, and formulates a series of smart solutions.

Customizing for serving business intelligence purposes, the smart solutions leverage the Group's leading wireless communication technologies with applications of IoT and big data analytics to achieve information integration. Staggering amount of data being gathered will be proceeded for segmentation and analysis simultaneously to induce conclusions which are conducive to operational effectiveness, yet thought-provoking and inspiring. These smart solutions can be deployed for warehouse management, scenic spot coverage and vehicle data transmission, thereby enabling the enterprises to perform digital storage, wireless inventory management, intelligent scheduling, GPS positioning, intelligent authentication and security functions.

Looking ahead, stemming from these concepts, the Group will customize more solutions to accommodate the needs for a wide range of industries or enterprises for specific or particular business purposes, and eventually generating more socioeconomic benefits. The Group continues to invest in these areas to drive greater digital inclusion in a diverse market sector in order to unleash the power of its smart solutions.

3. ORGANIZATIONAL REFORM ACHIEVING INCLUSIVE EXCELLENCE

In today's fast-moving environment, change is unavoidable, particularly in the mobile telecommunications industry. Organizations need to innovate business and articulate new strategies to successfully grow with the times as well as to cope with the increasingly challenging environment. Above all, the management believes that talent management trumps new strategies, new products and technologies or new business models as talent is the key in the winning formulae enabling the organization to drive towards its strategic goals.

To that end, the Group has been implementing a progressive structural transformation aiming to promote alignment among diverse units of business and functional departments within its organization, thereby creating the best team chemistry to maximize the overall effectiveness. In the course of its long-term efforts, the Group is pleased to see gradual enhancement across a wide spectrum of operating areas, such as project and quality management, policy enforcement, production enhancement, budget control, financial liquidity and position and resources utilization, among others. The organizational reform is intended to be continuous and is necessary to drive greater business innovation, operational effectiveness and management excellence, thereby achieving long-term success. By maintaining strong execution capabilities, the management can continue to mobilize the Group's reform engine to move the overall business to new heights.

CONCLUSION

Over the years, adhered to the principle of pragmatic innovation, the Group has been striving to build a brighter future for the society and successfully establish a solid leadership in the industry. Despite the market likely being choppy in the coming year, the Group is at a higher level of preparedness to drive the business forward through the aforesaid strategies, meanwhile keeping an open mind to evaluate appropriate investment and collaboration opportunities in a prudent manner, thereby achieving its goal of "Exploring Opportunities, Creating Value, Reforming Mechanism, Enhancing Efficiency".

LIQUIDITY, FINANCIAL RESOURCES & CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2015, the Group had net current assets of HK$3,335,541,000. Current assets comprised inventories of HK$1,731,068,000, trade receivables of HK$3,967,602,000, notes receivable of HK$96,376,000, prepayments, deposits and other receivables of HK$616,596,000, restricted bank deposits of HK$249,292,000, and cash and cash equivalents of HK$1,747,360,000. Current liabilities comprised trade and bills payables of HK$3,257,652,000, other payables and accruals of HK$1,067,397,000, derivative financial instrument of HK$1,501,000, interest-bearing bank borrowings of HK$595,478,000, tax payable of HK$65,331,000 and provisions for product warranties of HK$85,394,000.

The average receivable turnover for the Current Year was 225 days compared to 244 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 up to over 1 year depending on the credit worthiness of customers. Those retention money are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Year was 251 days compared to 267 days for the Prior Period. The average inventory turnover for the Current Year was 149 days compared to 164 days for the Prior Year.

As at 31 December 2015, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$") and United States dollars ("US$") while the Group's bank borrowings were mainly denominated in RMB 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$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement") and the other with facility amount of US$200,000,000 entered into on 15 June 2015 (the "2015 Facility Agreement", together with the 2014 Facility Agreement collectively known as the "Facility Agreements"). The loan balance under the 2014 Facility Agreement was fully repaid on 18 June 2015.

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

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

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK$ and US$. In view of the devaluation of the RMB in the year of 2015 and the anticipation of a period of volatility in RMB, the Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into any arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2015, the Group has not engaged in hedging activities for managing RMB exchange rate risk.

The Group has investments and operations in countries that use currencies other than RMB. As such, the Group is exposed to a certain extent to foreign currency risk, which it mitigates by entering into forward currency contract in the year of 2015 to reduce exposure to exchange rate fluctuations in transactions denominated in currencies other than RMB.

The Group's gross gearing ratio, calculated as total interest-bearing debts (including bank borrowings) over total assets, was 14.3% as at 31 December 2015 (31 December 2014: 16.3%).

MATERIAL ACQUISITIONS AND DISPOSALS

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

RESTRICTED BANK DEPOSITS

Deposit balances of HK$271,301,000 (31 December 2014: HK$359,115,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had contingent liabilities of HK$177,277,000 (31 December 2014: HK$127,648,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the Group had approximately 8,400 staff (31 December 2014: 8,400 staff). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,124,656,000 (31 December 2014: 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. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all directors and senior management of the Company.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fok Tung Ling (霍東齡)

aged 59, 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 34 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 (張躍軍)

aged 57, 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 33 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 44, 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 21 years of experience in finance and legal work in the listed and multinational companies. He joined the Group in 2008.

Mr. Zheng Guo Bao (鄭國寶)

aged 50, 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 29 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. Yeung Pui Sang, Simon (楊沛燊)

aged 43, 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 Commscope Inc. 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 20 years of experience in the telecom industry. Mr. Yeung joined the Group in 2004.

Mr. Zhang Yuan Jian (張遠見)

aged 58, is executive director of the Company. He is also the senior vice president of the Group and the director of the Research Institute of the Group. Mr. Zhang is in charge of the products and research and development system of the Group, technical research of the 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 32 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)

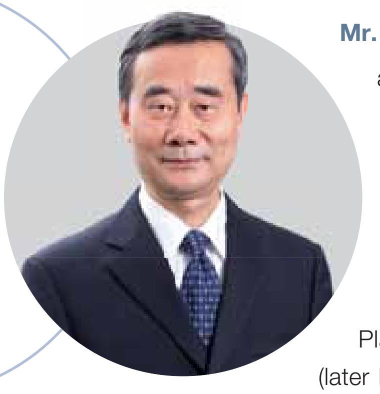
aged 75, is independent non-executive director of the Company. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Mr. Liu is the chairman of the Consultative Committee for Telecom Law Drafting of the Ministry of Information 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. Lau Siu Ki, Kevin (劉紹基)

aged 57, 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 six other companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") namely TCL Communication Technology Holdings Limited, China Medical & HealthCare Group Limited (formerly known as COL Capital Limited), FIH Mobile Limited, Samson Holding Ltd., Embry Holdings Limited and Binhai Investment Company Limited. In addition, he was also an independent non-executive director of UKF (Holdings) Limited, a company listed on the main board of the Stock Exchange, until his resignation on 15 March 2016. Mr. Lau is also 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. He has been appointed as company secretary of Hung Fook Tong Group Holdings Limited, the shares of which are listed on the main board of the Stock Exchange, on 13 May 2015. Mr. Lau joined the Group in 2003.

Dr. Lin Jin Tong (林金桐)

aged 70, 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 had been an independent director of Bright Oceans Inter-Telecom Corporation, the shares of which are listed on the Shanghai Stock Exchange, until his retirement in September 2015. Dr. Lin had also 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 67, 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. Bu Bin Long (卜斌龍), aged 53, senior vice president of the Group and rotating head of the group management committee in charge of the group management committee and antenna and subsystem business unit. He 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 from Xidian University in 2002. Mr. Bu has over 30 years of technical research experience in the domain of satellite antennas and mobile communications antennas. Mr. Bu was appointed as an adjunct professor of the key laboratory for antenna and electromagnetic compatibility of Xidian University in 2010, and elected as the vice chairman of the communication antenna special committee of the Antenna Branch of Chinese Institute of Electronics in 2011. He joined the Group in 2003.

Mr. Chen Sui Yang (陳遂陽), aged 52, senior vice president of the Group. Mr. Chen is mainly responsible for the operational management of the procurement center, group logistics center and public products delivery center of the Group. Mr. Chen was in charge of the research and development and operational management of the Group's wireless enhancement products. 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 MBA degree in China Europe International Business School (CEIBS) (中歐國際工商學院). Mr. Chen has over 30 years of experience in technology research of wireless communications. He joined the Group in 1998.

Mr. Luo Rui Bo (駱瑞波), aged 41, 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 MBA degree in Sun Yat-Sen University (中山大學) in 2009. Mr. Luo has over 18 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 50, 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 15 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 52, 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 12 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 45, 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 Group's 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 23 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. Zhang Jin Yu, Charles (張金玉), aged 52, vice president of the Group and director of the operational management office, he is fully responsible for the daily management of the operational management office. 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 25 years of experience in accounting and financial management. He joined the Group in 2004.

Mr. Chen Jian Bin (陳劍斌), aged 42, the vice president and general manager of the public network business unit of the Group. Mr. Chen is responsible for the construction, market operation and management of the Group's public network platform. He graduated from Beijing University of Posts and Telecommunications (北京郵電大學) and obtained a bachelor's degree in engineering in 1996. Mr. Chen has nearly 20 years of experience in operation and management in the market of communications. He joined the Group in 1998.

Mr. Li Xue Feng (李學鋒), aged 43, director of the group 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, a Certified Internal Auditor and a CPA. 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 19 years of experience in finance and internal audit from domestic and international companies. He joined the Group in 2010.

Mr. Sun Shan Qiu (孫善球), aged 36, general manager of the Group's antenna and subsystem business unit. He graduated from University of Electronic Science and Technology of China (電子科技大學) and obtained a bachelor's degree in electronic magnetic field and microwave technology in 2002. He is now a EMBA candidate of Beijing University of Posts and Telecommunications (北京郵電大學). Mr. Sun has over 13 years of experience in the industry of base station antenna. In addition, he has a wide range of experience in the research and development, market and operation management. He joined the Group in 2002.

Mr. Deng Shi Qun (鄧世群), aged 34, general manager of the Group's wireless access business unit. Mr. Deng is responsible for the management of the research and development of wireless access products and the market expanding of newly launched 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 and development experience in the domain of wireless communications technology and computer networking technology. He joined the Group in 2005.

Mr. Zhang Jian Feng (張劍鋒), aged 40, 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 17 years of experience in accounting and financial management in communications industries. He joined the Group in 2005.

Mr. Augustin Ping Chang (張平), aged 53, 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 30 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 52, 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 31 years of experience in the telecommunications industry with more than 21 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 44, 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 20 years of experience in the telecommunication industry and over 16 years of experience in making business in the Latin American markets. He joined the Group in 2006.

Ms. Ma Jing (馬靜), aged 33, 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.

Mr. Di Ying Jie (邸英傑), aged 54, 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 49, vice president of global business expansion and deputy general manager of antenna and subsystem business unit (ASBU). Ms. Ye is responsible for developing and expanding the global major accounts business as well as the market strategy for ASBU product lines while identifying new business models and new markets 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 20 years of wide arrange of working experiences in product management, business development and network planning in Telecommunication and Wireless industry. She joined the Group in 2005.

Mr. Sin Cheuk Lok, Christopus (冼卓犖), aged 46, deputy financial controller of the accounting management center (overseas) 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 22 years of experience in auditing, accounting and financial management in accounting firm and listed companies. He joined the Group in 2012.

Mr. Chan Siu Man, Barry (陳少文), aged 48, deputy financial controller of treasury management center (overseas) of the Group. Mr. Chan is responsible for management of treasury functions of Hong Kong and overseas companies. He graduated from Hong Kong Polytechnic University with a Bachelor of Arts (Honours) in Accountancy in 1991 and obtained a Master degree in Business Administration from University of Southern Queensland in 2000. He is also a full member of The Hong Kong Institute of Certified Public Accountants since 1996 and a fellow member of The Association of Chartered Certified Accountants since 2000. He has over 20 years of experience in accounting, treasury and financial management in various organizations. He joined the Group in 2015.

Mr. Pan Shuan Long (潘栓龍), aged 51, 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 30 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 35, 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 11 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 41, general manager of procurement 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 18 years of experience in the technical research, product development and corporate management in the wireless communications area. He joined the Group in 1998.

Mr. Xu Chuan Min (徐傳民), aged 37, 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 MBA degree. Mr. Xu has 13 years of experience in the production, operation and management in communications industries. He joined the Group in 2002.

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 2015 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 2015 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 2015 (the "Current Year"), there were thirteen 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 meetings attended/ Total number of general meetings held
Executive Directors:		
Mr. Fok Tung Ling *(Chairman)*	13/13	2/2
Mr. Zhang Yue Jun *(Vice Chairman & President)*	13/13	2/2
Dr. Tong Chak Wai, Wilson	13/13	2/2
Mr. Zheng Guo Bao	11/13	2/2
Mr. Yeung Pui Sang, Simon	13/13	2/2
Mr. Zhang Yuan Jian	13/13	2/2
Independent non-executive Directors:		
Mr. Liu Cai	13/13	2/2
Mr. Lau Siu Ki, Kevin	12/13	2/2
Dr. Lin Jin Tong	13/13	2/2
Mr. Qian Ting Shuo	13/13	2/2

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 2014 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 Environmental, Social and Governance Reporting Guideline of the Stock Exchange. 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 two remuneration committee meetings held at which, inter alia, the remuneration packages of all Directors and senior management were discussed 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	9
1,000,001 to 2,000,000	6
2,000,001 to 3,000,000	6
3,000,001 to 4,000,000	2
Over 7,000,000	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	2/2
Mr. Liu Cai	2/2
Dr. Lin Jin Tong	2/2
Mr. Qian Ting Shuo	2/2

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 internal promotion of the senior management.

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$2,967,000; and non-audit services of tax review and other professional services amounted to HK$496,000 and HK$2,720,000 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 44 to 45 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. The senior management of the Group participates in various investor relations activities including investor meetings, investor conferences and post-results roadshows from time to time. These provide the investment community with an opportunity to understand the business of the Group better. 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.

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
22 March 2016

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 2015 (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 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Current Year.

BUSINESS REVIEW

Business review of the Group for the Current Year and a discussion on the Group's future business development and the principal risks and uncertainties facing the Group are provided in the Management Discussion and Analysis. An analysis of the Group's performance during the Current Year using financial key performance indicators is provided in the 5 Year Financial Summary on page 124.

The Group is committed to support sustainability of the environment and endeavours to comply with laws and regulations regarding environmental protection and to adopt measurement to achieve efficient use of resources, energy saving and waste reduction.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group.

The Group is committed to establishing a close and caring relationship with our employees, providing quality services to our customers and enhancing cooperation with our business partners.

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 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 123.

As disclosed in the final results announcement of the Company for the Current Year dated 22 March 2016, the Directors recommended the payment of a final dividend of HK1.8 cents per ordinary share payable on 14 June 2016 (2014: HK1.3 cents per ordinary share) in respect of the Current Year to shareholders whose names appear on the register of members of the Company on 3 June 2016. Together with the interim dividend of HK1.5 cents per ordinary share paid on 16 September 2015 (2014: HK1.2 cents per ordinary share), the total dividends for the Current Year is HK3.3 cents per ordinary share (2014: HK2.5 cents per ordinary share).

BONUS ISSUE OF SHARES

In addition to the distribution of dividends, the Directors also proposes to distribute 1 bonus share for every 10 existing ordinary shares (2014: 1 bonus share for every 10 existing ordinary shares) held by the shareholders whose names appear on the register of members of the Company on 3 June 2016.

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, is set out on page 124. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED SHARES

The Company has allotted and issued 168,071,141 and 184,887,900 new ordinary shares by way of bonus issue to the then qualified shareholders on 18 June 2015 and 28 October 2015 respectively.

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

On 15 September 2015 and 15 October 2015, the board of Directors resolved to pay a sum to the administrator (the "Administrator") of the share award scheme which adopted on 25 March 2011 (the "Scheme") to purchase shares of the Company on the market pursuant to the Scheme respectively. A total number of 2,969,000 ordinary shares and 2,675,000 ordinary shares have been purchased by the Administrator on the market at the consideration of approximately HK$4,887,000 and HK$4,364,000 during the periods from 15 September 2015 to 29 September 2015 and from 19 October 2015 to 6 November 2015 respectively for the purpose of the Scheme in accordance with the terms of the Scheme. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Current 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.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Law of the Cayman Islands, amounted to HK$416,198,000, of which HK$36,608,000 has been proposed as a final dividend for the Current Year. In addition, the Company's share premium account, in the amount of HK$692,154,000, 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 83.1% of the total sales for the year and sales to the largest customer included therein accounted for approximately 31.2% 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 2015, 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. 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, Mr. Fok, Mr. Yeung, Mr. Liu Cai, Mr. Kevin Lau, Dr. Lin and Mr. Qian 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 28 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.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions.

The Company has taken out and maintained directors' liability insurance which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for the Loan Agreement, the Supplemental 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 transactions, arrangements or contracts of significance in relation to the Group's business to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries, was a party, and in which a Director, a connected entity of 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 2015, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange 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)	22,970,693	–	646,417,300	669,387,993	32.91
Mr. Zhang Yue Jun	(b)	–	–	205,144,968	205,144,968	10.08
Dr. Tong		9,719,250	–	–	9,719,250	0.47
Mr. Zheng		4,521,640	–	–	4,521,640	0.22
Mr. Yeung		12,283,681	–	–	12,283,681	0.60
Mr. Zhang Yuan Jian		3,679,490	106,480	–	3,785,970	0.18

Long positions in share options of the Company:

Name of Directors	Number of share options directly beneficially owned
Mr. Fok	665,500
Mr. Zhang Yue Jun	665,500
Dr. Tong	2,395,800
Mr. Yeung	1,996,500
Mr. Zhang Yuan Jian	1,996,500
Mr. Liu Cai	133,100
Mr. Kevin Lau	133,100
Dr. Lin	133,100
Mr. Qian	133,100

Notes:

(a) 644,706,719 shares and 1,710,581 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 646,417,300 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 205,144,968 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 2015, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are 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 78 and "Employee benefit expense" on page 85 of the annual report, respectively.

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

As at 31 December 2015, the following substantial shareholders (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange as follows:

Long positions:

Name	Notes	Capacity and nature of interest	Number of ordinary shares and share options held	Percentage of the Company's issued share capital
Prime Choice Investments Limited		Beneficial owner	644,706,719	31.70
Madam Chen Jing Na	(a)	Interest of spouse	670,053,493	32.94
Wise Logic Investments Limited		Beneficial owner	205,144,968	10.08
Madam Cai Hui Ni	(b)	Interest of spouse	205,810,468	10.11

Notes:

(a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 669,387,993 shares and 665,500 share options in which Mr. Fok is interested or deemed to be interested for the purpose of the SFO.

(b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 205,144,968 shares and 665,500 share options in which Mr. Zhang Yue Jun is interested or deemed 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) 644,706,719 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and

(ii) 205,144,968 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Stock Exchange.

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 annum during the period from 1 January 2014 to 31 December 2016.

On 30 September 2015, Cascade Technology entered into with WaveLab Holdings a supplemental agreement (the "Supplemental Agreement") to lower the interest rate of the loan under the Loan Agreement from LIBOR at the date of actual drawing plus 4.75% to LIBOR at the date of actual drawing plus 4% per annum.

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 announcements of the Company dated 24 December 2013 and 30 September 2015.

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 2015 were HK$172,000,000, HK$950,000 and HK$3,700,000, respectively. The total consideration for the WTAP Transaction, the WTAP-Components Transaction and the IDU Services Transaction during the Current Year amounted to HK$85,940,000, HK$256,000 and HK$459,000, respectively which are within the annual caps of HK$172,000,000, HK$950,000 and HK$3,700,000, 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$125,000,000 entered into on 18 June 2014 (the "2014 Facility Agreement") and the other with facility amount of US$200,000,000 entered into on 15 June 2015 (the "2015 Facility Agreement", together with the 2014 Facility Agreement collectively known as the "Facility Agreements"), which contain covenants requiring specific performance obligations of Mr. Fok, the controlling shareholder and Mr. Zhang Yue Jun, the substantial shareholder. During the Current Year, the loan balance under the 2014 Facility Agreement was fully repaid and the above specific performance obligations under the 2015 Facility Agreement have been complied with. Details of the Facility Agreements are set out in note 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 2015 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
22 March 2016

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22nd Floor
CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環添美道1號
中信大廈22樓

電話: +852 2846 9888
傳真: +852 2868 4432
www.ey.com

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 set out on pages 46 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, 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 financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**6,770,894**	6,733,214
Cost of sales		**(4,856,404)**	(4,973,204)
Gross profit		**1,914,490**	1,760,010
Other income and gains	5	**49,908**	60,903
Research and development costs	6	**(230,916)**	(192,986)
Selling and distribution expenses		**(472,976)**	(509,477)
Administrative expenses		**(836,216)**	(789,727)
Other expenses		**(27,750)**	(65,524)
Finance costs	7	**(67,722)**	(61,147)
Share of loss of an associate	17	**(127)**	–
PROFIT BEFORE TAX	6	**328,691**	202,052
Income tax expense	9	**(109,755)**	(47,532)
PROFIT FOR THE YEAR		**218,936**	154,520
Attributable to:			
Owners of the parent		**212,876**	151,061
Non-controlling interests		**6,060**	3,459
		218,936	154,520
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK10.52 cents**	HK7.47 cents (Restated)
Diluted		**HK10.52 cents**	HK7.44 cents (Restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR	**218,936**	154,520
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(227,469)**	(113,914)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(227,469)**	(113,914)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(227,469)**	(113,914)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(8,533)**	40,606
Attributable to:		
Owners of the parent	**(11,625)**	38,537
Non-controlling interests	**3,092**	2,069
	(8,533)	40,606

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**607,950**	681,624
Prepaid land lease payments	13	**132,054**	53,062
Goodwill	14	**28,571**	28,571
Long-term trade receivables	19	**–**	12,179
Deferred tax assets	15	**140,256**	141,786
Intangible assets	16	**211,838**	196,512
Investment in an associate	17	**23,903**	–
Restricted bank deposits	22	**22,009**	14,564
Total non-current assets		**1,166,581**	1,128,298
CURRENT ASSETS			
Inventories	18	**1,731,068**	2,234,857
Trade receivables	19	**3,967,602**	4,381,627
Notes receivable	20	**96,376**	149,684
Prepayments, deposits and other receivables	21	**616,596**	622,919
Restricted bank deposits	22	**249,292**	344,551
Cash and cash equivalents	22	**1,747,360**	1,274,796
Total current assets		**8,408,294**	9,008,434
CURRENT LIABILITIES			
Trade and bills payables	23	**3,257,652**	3,422,870
Other payables and accruals	24	**1,067,397**	1,177,630
Derivative financial instrument	25	**1,501**	–
Interest-bearing bank borrowings	26	**595,478**	972,635
Tax payable		**65,331**	25,553
Provisions for product warranties	27	**85,394**	77,863
Total current liabilities		**5,072,753**	5,676,551
NET CURRENT ASSETS		**3,335,541**	3,331,883
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,502,122**	4,460,181

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**775,354**	678,389
Deferred tax liabilities	15	**14,981**	15,837
Total non-current liabilities		**790,335**	694,226
Net assets		**3,711,787**	3,765,955
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**203,377**	167,882
Treasury shares	28	**(22,530)**	(13,114)
Reserves	30	**3,471,684**	3,555,023
		3,652,531	3,709,791
Non-controlling interests		**59,256**	56,164
Total equity		**3,711,787**	3,765,955

Fok Tung Ling
Director

Tong Chak Wai, Wilson
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the parent										Non-controlling interests HK$'000	Total equity HK$'000
	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$'000	Total HK$'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(a)	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	28(b)	–	517	47,299	(47,816)	–	–	–	–	–	–	–	–
Transfer to/from retained profits		–	–	–	–	–	(3,609)	12,992	–	(9,383)	–	–	–
Interim 2014 dividend declared	10	–	–	–	–	–	–	–	–	(18,314)	(18,314)	–	(18,314)
At 31 December 2014		167,882	(13,114)	722,878	52,730	45,827	64,973	104,412	514,263	2,049,940#	3,709,791	56,164	3,765,955

Retained profits have been adjusted for the proposed final 2014 dividend in accordance with the current year's presentation, which is described in note 2.4 to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		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$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		167,882	(13,114)	722,878	52,730	45,827	64,973	104,412	514,263	2,049,940	3,709,791	56,164	3,765,955
Profit for the year		–	–	–	–	–	–	–	–	212,876	212,876	6,060	218,936
Other comprehensive loss for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	(224,501)	–	(224,501)	(2,968)	(227,469)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(224,501)	212,876	(11,625)	3,092	(8,533)
Issue of bonus shares	28(d)	35,296	(165)	(35,131)	–	–	–	–	–	–	–	–	–
Share option scheme													
– value of services	6	–	–	–	9,267	–	–	–	–	–	9,267	–	9,267
– exercise of share options	28(c)	199	–	4,407	(674)	–	–	–	–	–	3,932	–	3,932
– adjustment arising from lapse of share options		–	–	–	(64)	–	–	–	–	64	–	–	–
– share options cancelled at expiry date		–	–	–	(41,932)	–	–	–	–	41,932	–	–	–
Share award scheme													
– shares purchased	28(e)	–	(9,251)	–	–	–	–	–	–	–	(9,251)	–	(9,251)
Transfer to/from retained profits		–	–	–	–	–	(3,609)	29,809	–	(26,200)	–	–	–
Final 2014 dividend declared	10	–	–	–	–	–	–	–	–	(21,825)	(21,825)	–	(21,825)
Interim 2015 dividend	10	–	–	–	–	–	–	–	–	(27,758)	(27,758)	–	(27,758)
At 31 December 2015		203,377	(22,530)	692,154*	19,327*	45,827*	61,364*	134,221*	289,762*	2,229,029*	3,652,531	59,256	3,711,787

* These reserve accounts comprise the consolidated reserves of HK$3,471,684,000 (2014: HK$3,555,023,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**328,691**	202,052
Adjustments for:			
Interest income	5	**(14,548)**	(15,923)
Finance costs	7	**67,722**	61,147
Share of loss of an associate	17	**127**	–
Loss on fair value change of the derivative financial instrument	6	**1,501**	–
Depreciation	6	**99,981**	115,319
Recognition of prepaid land lease payments	6	**2,083**	1,830
Amortization of intangible assets	16	**74,967**	54,186
Equity-settled share option expense	6	**9,267**	11,123
Awarded share expense	6	**–**	4,649
Loss/(gain) on disposal of items of property, plant and equipment	6	**5,837**	(3,402)
		575,628	430,981
Decrease/(increase) in inventories		**403,774**	(49,742)
Decrease in trade receivables		**217,937**	36,872
Decrease in long-term trade receivables		**12,179**	71,143
Decrease/(increase) in notes receivable		**46,609**	(66,096)
Increase in prepayments, deposits and other receivables		**(19,907)**	(16,717)
Decrease in trade and bills payables		**(26,037)**	(321,867)
(Decrease)/increase in other payables and accruals		**(57,531)**	129,967
Increase in provisions for product warranties		**11,389**	3,588
Cash generated from operations		**1,164,041**	218,129
Mainland China profits tax paid		**(72,638)**	(58,821)
Overseas profits taxes paid		**(1,970)**	(18,049)
Net cash flows from operating activities		**1,089,433**	141,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**14,548**	15,923
Purchases of items of property, plant and equipment	12	**(58,106)**	(56,547)
Addition of intangible assets	16	**(99,870)**	(121,163)
Addition of prepaid land lease payments	13	**(84,801)**	(4,271)
Proceeds from disposal of items of property, plant and equipment		**1,271**	7,794
Investment in an associate		**(24,026)**	–
Decrease in time deposits with original maturity of over 3 months		**–**	298,403
Decrease/(increase) in restricted bank deposits		**71,743**	(283,634)
Net cash flows used in investing activities		**(179,241)**	(143,495)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings		**1,742,455**	1,556,034
Repayment of bank borrowings		**(2,005,631)**	(1,463,086)
Amount paid for purchase of shares for share award scheme	28(e)	**(9,251)**	–
Proceeds from issue of shares	28(c)	**3,932**	–
Interest paid		**(67,722)**	(61,147)
Dividends paid		**(49,583)**	(18,314)
Net cash flows (used in)/from financing activities		**(385,800)**	13,487
NET INCREASE IN CASH AND CASH EQUIVALENTS		**524,392**	11,251
Cash and cash equivalents at beginning of year		**1,274,796**	1,290,858
Effect of foreign exchange rate changes, net		**(51,828)**	(27,313)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,747,360**	1,274,796
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	**1,747,360**	1,274,796
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,747,360**	1,274,796
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,747,360**	1,274,796

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP 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 (collectively referred to as the "Group") were principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services.

Particulars of the Company's 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		Principal activities
			Direct	Indirect	
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$260,000,000	–	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$299,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
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

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (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 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 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
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
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

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (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

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Noblefield International Limited	British Virgin Islands	US$1	–	100	Investment holding
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

1. CORPORATE AND GROUP INFORMATION (continued)

Particulars of the Company's principal subsidiaries are as follows: (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, S.L.	Spain	EUR100,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
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.

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the derivative financial instruments and 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.

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2015 (the "Current Year"). 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 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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 for the first time for the Current Year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010–2012 Cycle
Annual Improvements to HKFRSs 2011–2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010–2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year 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. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortization of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The *Annual Improvements to HKFRSs 2011–2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the Group has no investment property.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 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
4 No mandatory effective date determined but available for adoption

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 is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate. The amendments are to be applied prospectively.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for 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. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of the associate is included as part of the Group's investment in an associate.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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 is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or 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

The Group measures its derivative financial instruments at fair value at the end of each reporting period. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)

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.

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);
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

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 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 the statement of profit or loss.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, as appropriate.

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, derivative financial instrument and interest-bearing bank borrowings.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

***Subsequent measurement** (continued)*

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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.

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.

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 realize the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risk. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognized directly in equity at cost. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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.

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 jurisdictions 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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 are recognized as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were 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. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

The functional currencies of certain overseas subsidiaries and the associate 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 Hong Kong dollars 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

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.

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 15 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 2015 was approximately HK$28,571,000 (2014: HK$28,571,000). For details, refer to note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

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.

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 2015, the best estimate of the carrying amount of capitalized development costs was HK$194,321,000 (2014: HK$175,544,000). For details, please refer to note 16 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 2015, the carrying amounts of the property, plant and equipment approximated to their fair values. For details, refer to note 12 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

	2015 HK$'000	2014 HK$'000
Mainland China	**5,759,032**	5,682,153
Other countries/areas in Asia Pacific	**332,871**	301,276
Americas	**432,319**	530,392
European Union	**183,494**	121,622
Middle East	**41,008**	42,093
Other countries	**22,170**	55,678
	6,770,894	6,733,214

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$2,114,042,000 (2014: HK$3,209,402,000), HK$1,734,219,000 (2014: HK$947,396,000) and HK$1,576,667,000 (2014: HK$1,137,773,000) was derived from 3 major customers, which accounted for 31.2% (2014: 47.7%), 25.6% (2014: 14.1%) and 23.3% (2014: 16.9%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold and services rendered during the 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:

	2015 HK$'000	2014 HK$'000
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**6,385,323**	6,365,669
Maintenance services	**385,571**	367,545
	6,770,894	6,733,214
Other income and gains		
Bank interest income	**14,548**	15,923
Government subsidy	**9,916**	11,128
VAT refunds*	**13,234**	19,009
Gross rental income	**6,773**	6,210
Others	**5,437**	8,633
	49,908	60,903

* During the years ended 31 December 2014 and 2015, 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 BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold and services provided		**4,650,673**	4,827,078
Depreciation	12	**99,981**	115,319
Recognition of prepaid land lease payments	13	**2,083**	1,830
Amortization of computer software and technology	16	**6,527**	9,098
Research and development costs:			
Deferred expenditure amortized*	16	**68,440**	45,088
Current year expenditure		**230,916**	192,986
		299,356	238,074
Minimum lease payments under operating leases		**69,343**	82,180
Auditors' remuneration		**2,967**	3,541
Employee benefit expense (including directors' remuneration, note 8)^:			
Salaries and wages		**952,692**	993,123
Staff welfare expenses		**75,486**	67,849
Equity-settled share option expense	29(a)	**9,267**	11,123
Awarded share expense		**–**	4,649
Pension scheme contributions (defined contribution schemes)#		**87,211**	87,227
		1,124,656	1,163,971
Exchange loss, net		**134,842**	59,183
Write-down of inventories to net realizable value		**71,500**	66,739
Impairment of trade receivables	19	**16,848**	57,719
Provision for product warranties	27	**51,618**	48,029
Loss on fair value change of the derivative financial instrument	25	**1,501**	–
Loss/(gain) on disposal of items of property, plant and equipment		**5,837**	(3,402)

* 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 for the year amounting to HK$77,375,000 (2014: HK$91,019,000) have not been included in the employee benefit expense.

At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: Nil).

7. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**67,722**	61,147

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"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**920**	880
Other emoluments:		
Salaries, allowances and benefits in kind	**11,432**	11,149
Performance related bonuses	**7,729**	7,793
Equity-settled share option expense	**1,435**	1,842
Awarded share expense	**–**	545
Pension scheme contributions	**258**	307
	20,854	21,636
	21,774	22,516

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

(a) EXECUTIVE DIRECTORS AND NON-EXECUTIVE DIRECTORS

2015	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	–	2,026	2,778	116	–	18	4,938
Mr. Zhang Yue Jun*	–	1,776	2,684	116	–	67	4,643
Dr. Tong Chak Wai, Wilson	–	2,101	355	417	–	18	2,891
Mr. Zheng Guo Bao	100	2,337	–	–	–	70	2,507
Mr. Yeung Pui Sang, Simon	–	2,124	360	347	–	18	2,849
Mr. Zhang Yuan Jian	–	1,068	1,552	347	–	67	3,034
	100	11,432	7,729	1,343	–	258	20,862
Non-executive directors:							
Mr. Liu Cai	210	–	–	23	–	–	233
Mr. Lau Siu Ki, Kevin	190	–	–	23	–	–	213
Dr. Lin Jin Tong	210	–	–	23	–	–	233
Mr.Qian Ting Shuo	210	–	–	23	–	–	233
	820	–	–	92	–	–	912
	920	11,432	7,729	1,435	–	258	21,774

* Mr. Zhang Yue Jun is also the chief executive of the Company.

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

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

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

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

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

(b) 5 HIGHEST PAID EMPLOYEES

The 5 highest paid employees during the year included 3 directors (2014: 5 directors), details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining 2 (2014: Nil) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 HK$'000
Salaries, allowances and benefits in kind	1,466
Performance related bonuses	5,673
Equity-settled share option expense	263
Pension scheme contributions	80
	7,482

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees 2015
HK$3,500,001 to HK$4,000,000	2

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the 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.

	2015 HK$'000	2014 HK$'000
Current – Hong Kong		
Charged for the year	**6,147**	–
Overprovision in prior year	**(698)**	(1,535)
Current – Mainland China	**100,420**	75,408
Current – Elsewhere	**9,661**	3,327
Deferred (note 15)	**(5,775)**	(29,668)
Total tax charge for the year	**109,755**	47,532

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 and Comba Telecom Systems (China) Limited were entitled to the preferential tax rate of 15% for the year ended 31 December 2015 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 2015.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled (i.e. the Mainland China) to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2015		2014	
	HK$'000	%	HK$'000	%
Profit before tax	**328,691**		202,052	
Tax at the applicable tax rate in Mainland China	**82,173**	**25.00**	50,513	25.00
Lower tax rates for specific provinces or enacted by local authority	**(40,958)**	**(12.46)**	(14,672)	(7.26)
Effect on opening deferred tax of increase in rate	**–**	**–**	(20,080)	(9.94)
Adjustments in respect of current tax of previous year	**(698)**	**(0.21)**	(1,535)	(0.75)
Income not subject to tax	**(9,444)**	**(2.87)**	(13,595)	(6.73)
Expenses not deductible for tax	**69,248**	**21.07**	45,294	22.41
Additional deductible research and development expenses	**(22,187)**	**(6.75)**	(16,888)	(8.36)
Tax losses utilized from previous years	**(6,251)**	**(1.90)**	(18,758)	(9.28)
Tax losses not recognized	**37,872**	**11.52**	37,253	18.44
Tax charge at the Group's effective rate	**109,755**	**33.40**	47,532	23.53

9. INCOME TAX (continued)

The Group has tax losses arising in Hong Kong and other jurisdictions of HK$192,795,000 (2014: HK$186,689,000) 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 2015.

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

10. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim – HK1.5 cents (2014: HK1.2 cents) per ordinary share	**27,758**	18,314
Proposed final – HK1.8 cents (2014: HK1.3 cents) per ordinary share	**36,608**	21,825
	64,366	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.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,023,453,000 (2014 (restated): 2,021,650,000) in issue during the year, as adjusted to reflect the bonus issues during the year.

The calculation of the diluted earnings per share amounts is based on the profit 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 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 earnings per share amounts presented for the year ended 31 December 2015 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic earnings per share amounts presented.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

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

	2015 HK$'000	2014 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**212,876**	151,061

	Number of shares	
	2015	2014 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,023,453,000**	2,021,650,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	7,700,000
Awarded shares	**–**	1,188,000
	2,023,453,000	2,030,538,000

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2015					
At 31 December 2014 and 1 January 2015:					
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
At 1 January 2015, net of accumulated depreciation	446,828	174,673	52,656	7,467	681,624
Additions	16,191	28,199	8,801	4,915	58,106
Disposals	(1,170)	(4,748)	(897)	(293)	(7,108)
Depreciation provided during the year	(26,606)	(52,767)	(17,698)	(2,910)	(99,981)
Exchange realignment	(14,825)	(6,908)	(2,544)	(414)	(24,691)
At 31 December 2015, net of accumulated depreciation	420,418	138,449	40,318	8,765	607,950
At 31 December 2015:					
Cost or valuation	489,375	624,399	202,070	39,595	1,355,439
Accumulated depreciation	(68,957)	(485,950)	(161,752)	(30,830)	(747,489)
Net carrying amount	420,418	138,449	40,318	8,765	607,950

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 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

For the year ended 31 December 2015, no revaluation of buildings was performed as there were no significant movements in the fair value of the buildings.

13. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**54,330**	52,997
Addition	**84,801**	4,271
Recognized during the year	**(2,083)**	(1,830)
Exchange realignment	**(2,079)**	(1,108)
Carrying amount at 31 December	**134,969**	54,330
Current portion included in prepayments, deposits and other receivables	**(2,915)**	(1,268)
Non-current portion	**132,054**	53,062

14. GOODWILL

	2015 HK$'000	2014 HK$'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

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 19% (2014: 19%).

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.

15. DEFERRED TAX

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

DEFERRED TAX ASSETS

	Unrealized profit HK$'000	Accruals HK$'000	Products warranty HK$'000	Total HK$'000
At 1 January 2014	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**
Deferred tax credited/(charged) to the statement of profit or loss during the year	**2,615**	**(159)**	**2,463**	**4,919**
Exchange realignment	**(3,205)**	**(2,175)**	**(1,069)**	**(6,449)**
At 31 December 2015	**70,401**	**46,378**	**23,477**	**140,256**

DEFERRED TAX LIABILITIES

	Revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Total HK$'000
At 1 January 2014	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**
Deferred tax credited to the statement of profit or loss during the year	**(696)**	**(160)**	**(856)**
At 31 December 2015	**10,773**	**4,208**	**14,981**

At 31 December 2015, 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 totalled approximately HK$2,096,384,000 at 31 December 2015 (2014: HK$1,742,980,000).

16. INTANGIBLE ASSETS

	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortization	**19,854**	**1,114**	**175,544**	**196,512**
Additions	**3,894**	**–**	**95,976**	**99,870**
Amortization provided during the year	**(6,527)**	**–**	**(68,440)**	**(74,967)**
Exchange realignment	**(818)**	**–**	**(8,759)**	**(9,577)**
At 31 December 2015	**16,403**	**1,114**	**194,321**	**211,838**
At 31 December 2015:				
Cost	**59,117**	**1,114**	**336,974**	**397,205**
Accumulated amortization	**(42,714)**	**–**	**(142,653)**	**(185,367)**
Net carrying amount	**16,403**	**1,114**	**194,321**	**211,838**
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

17. INVESTMENT IN AN ASSOCIATE

	2015 HK$'000	2014 HK$'000
Share of net assets	23,903	–

The following table illustrates the financial information of the Group's associate:

	2015 HK$'000	2014 HK$'000
Share of the associate's loss for the year	(127)	–
Share of the associate's total comprehensive loss	(127)	–
Carrying amount of the Group's investment in the associate	23,903	–

18. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	216,484	314,338
Project materials	195,187	254,902
Work in progress	76,030	62,204
Finished goods	429,772	529,510
Inventories on site	813,595	1,073,903
	1,731,068	2,234,857

19. LONG-TERM TRADE RECEIVABLES AND TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**4,060,917**	4,494,003
Impairment	**(93,315)**	(100,197)
	3,967,602	4,393,806
Current portion	**(3,967,602)**	(4,381,627)
Long-term portion	**–**	12,179

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:

	2015 HK$'000	2014 HK$'000
Within 3 months	**1,517,274**	1,696,034
4 to 6 months	**398,619**	527,528
7 to 12 months	**708,671**	763,851
More than 1 year	**1,436,353**	1,506,590
	4,060,917	4,494,003
Provision for impairment	**(93,315)**	(100,197)
	3,967,602	4,393,806
Current portion	**(3,967,602)**	(4,381,627)
Long-term portion	**–**	12,179

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

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

	2015 HK$'000	2014 HK$'000
At 1 January	**100,197**	47,071
Impairment losses recognized	**16,848**	57,719
Amount written off as uncollectible	**(1,053)**	–
Exchanged realignment	**(22,677)**	(4,593)
	93,315	100,197

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$93,315,000 (2014: HK$100,197,000) with a carrying amount before provision of HK$117,582,000 (2014: HK$117,640,000).

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:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**2,624,563**	2,999,593
Past due but not impaired	**1,318,771**	1,376,770
	3,943,334	4,376,363

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.

20. NOTES RECEIVABLE

At 31 December 2014 and 2015, none of the notes receivable were endorsed.

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

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**329,006**	328,674
Deposits	**132,152**	101,056
Other receivables	**155,438**	193,189
	616,596	622,919

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.

22. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**1,747,360**	1,274,796
Time deposits	**271,301**	359,115
	2,018,661	1,633,911
Less:		
Restricted bank deposits for bills payable	**(139,335)**	(87,555)
Restricted bank deposits for interest-bearing bank borrowings (note 26)	**–**	(187,366)
Restricted bank deposits for performance bonds	**(131,966)**	(84,194)
Cash and cash equivalents	**1,747,360**	1,274,796

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,394,404,000 (2014: HK$1,147,948,000). 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.

23. 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:

	2015 HK$'000	2014 HK$'000
Within 3 months	**1,774,133**	1,690,095
4 to 6 months	**583,917**	858,623
7 to 12 months	**582,978**	547,099
More than 1 year	**316,624**	327,053
	3,257,652	3,422,870

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

24. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Accruals	**252,992**	272,281
Deposits received	**150,659**	210,331
Other payables	**663,746**	695,018
	1,067,397	1,177,630

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

25. DERIVATIVE FINANCIAL INSTRUMENT

	2015 Liabilities HK$'000	2014 Liabilities HK$'000
Forward currency contract	**1,501**	–

The Group has entered into a Brazilian Real non-deliverable forward currency contract with an international bank to manage certain of its exchange rate exposures. The forward currency contract is measured at fair value through profit or loss. Change in the fair value of the forward currency contract amounting to HK$1,501,000 was charged to the statement of profit or loss during the year (2014: Nil).

26. INTEREST-BEARING BANK BORROWINGS

	2015 HK$'000	2014 HK$'000
Analyzed into:		
Within 1 year	**595,478**	972,635
In the 2nd to 3rd years, inclusive	**775,354**	678,389
	1,370,832	1,651,024

As at 31 December 2015, loans denominated in Hong Kong dollars, United States dollars and RMB amounted to nil (2014: HK$251,200,000), HK$969,192,000 (2014: HK$1,125,120,000) and HK$401,640,000 (2014: HK$274,704,000), respectively.

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

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

As at 31 December 2015, the Group had utilized an amount of US$125,000,000 (equivalent to HK$969,192,000) under the 2015 Facility Agreement. As at 31 December 2015, the outstanding term loan balance amounted to HK$969,192,000, of which, HK$193,838,000 and HK$775,354,000 are repayable within 1 year and in the 2nd to 3rd years inclusive, respectively. The term loan bears interest at 3.8% per annum.

The interest-bearing bank borrowings as at 31 December 2014 included a loan balance of HK$969,128,000 under a 3-year term loan facility agreement amounting to US$125,000,000 (equivalent to HK$969,128,000) entered into between the Group and certain financial institutions on 18 June 2014 (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 loan balance under the 2014 Facility Agreement was fully repaid on 18 June 2015.

26. INTEREST-BEARING BANK BORROWINGS (continued)

As at 31 December 2014, certain short-term loans amounting to HK$155,992,000 were guaranteed by a letter of credit which was pledged by the Group's time deposits amounting to HK$187,366,000 (note 22). The loans bear interest at 2.5% per annum. The loan balances were fully repaid on 19 November 2015.

Other short-term bank loans bear interest at rates ranging from 4.4% to 4.6% (2014: from 1.9% to 6.6%) 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

	2015 HK$'000	2014 HK$'000
At 1 January	**77,863**	76,182
Additional provisions	**51,618**	48,029
Amounts utilized during the year	**(40,228)**	(44,441)
Exchange realignment	**(3,859)**	(1,907)
At 31 December	**85,394**	77,863

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	2015 HK$'000	2014 HK$'000
Authorized:		
5,000,000,000 (2014: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid or credited as fully paid:		
2,033,767,128 (2014: 1,678,815,837) ordinary shares of HK$0.10 each	**203,377**	167,882

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 2014		1,526,196,229	152,620	(13,572)	690,782	829,830
Issue of bonus shares	(a)	152,619,608	15,262	(59)	(15,203)	–
Share award scheme – vested awarded shares transferred to selected persons	(b)	–	–	517	47,299	47,816
At 31 December 2014 and 1 January 2015		**1,678,815,837**	**167,882**	**(13,114)**	**722,878**	**877,646**
Share option scheme – exercise of share options	(c)	**1,992,250**	**199**	**–**	**4,407**	**4,606**
Issue of bonus shares	(d)	**352,959,041**	**35,296**	**(165)**	**(35,131)**	**–**
Share award scheme – shares purchased	(e)	**–**	**–**	**(9,251)**	**–**	**(9,251)**
At 31 December 2015		**2,033,767,128**	**203,377**	**(22,530)**	**692,154**	**873,001**

As at 31 December 2015, the total number of issued ordinary shares of the Company was 2,033,767,128 (2014: 1,678,815,837) shares which included 13,749,702 (2014: 6,453,557) shares held under a share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 (note 29(b)).

Notes:

(a) 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. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

(b) During the year ended 31 December 2014, the trustee of the Share Award Scheme transferred 5,168,830 ordinary shares of the Company to the selected persons upon vesting of the awarded shares.

(c) During the Current Year, the subscription rights attaching to 1,992,250 share options were exercised at the adjusted exercise prices ranging from HK$1.802 to HK$1.982 per share, resulting in the issue of 1,992,250 shares of HK$0.10 each for a total cash consideration, before expenses of HK$3,932,000.

(d) Pursuant to the annual general meeting and the extraordinary general meeting held on 3 June 2015 (the "Jun 2015 Bonus Issue") and 12 October 2015 (the "Oct 2015 Bonus Issue") respectively, bonus issues of shares on the basis of 1 bonus share for every 10 existing shares held were approved respectively. 168,071,141 bonus shares and 184,887,900 bonus shares were issued under the Jun 2015 Bonus Issue and the Oct 2015 Bonus Issue respectively. The bonus shares were credited as fully paid and rank pari passu with the then existing shares in all respects.

(e) During the Current Year, the administrator of the Share Award Scheme acquired 5,644,000 shares of the Company through purchases on the open market at a cost of approximately HK$9,251,000.

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

	2015		2014	
	Weighted average exercise price of share options* HK$ per share	Number of share options* '000	Weighted average exercise price of share options# HK$ per share	Number of share options# '000
At 1 January	1.638	53,240	–	–
Exercised during the year	1.638	(2,400)	–	–
Lapsed during the year	1.638	(2,820)	–	–
Granted during the year	–	–	1.982	44,000
At 31 December	1.638	48,020	1.982	44,000

* The weighted average exercise price of share options per share and the number of share options were adjusted as a result of the Jun 2015 Bonus Issue and the Oct 2015 Bonus Issue. The weighted average exercise price of share options as at 1 January 2015 was adjusted from HK$1.982 per share to HK$1.638 per share. The number of share options as at 1 January 2015 was adjusted from 44,000,000 to 53,240,000.

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

No share options were granted under the 2013 Scheme during the Current Year.

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

	2015		2014	
	Weighted average exercise price of share options HK$ per share	Number of share options '000	Weighted average exercise price of share options# HK$ per share	Number of share options# '000
At 1 January	5.145	34,276	5.145	38,049
Lapsed during the year	–	–	5.145	(3,773)
Expired during the year	5.145	(34,276)	–	–
At 31 December	–	–	5.145	34,276

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

No share options granted under the 2003 Scheme were exercised during the years ended 31 December 2014 and 2015.

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:

Name or category of participant	At 1 January 2015	Granted during the year	Adjusted during the year*	Exercised during the year	Expired during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options**	Exercise period of share options	Exercise price of share options# HK$ per share
		Number of share options								
Executive directors										
Mr. Fok Tung Ling	550,000	–	116,000	–	–	–	666,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
Mr. Zhang Yue Jun	550,000	–	116,000	–	–	–	666,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
Dr. Tong Chak Wai, Wilson	550,000	–	–	–	(550,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	1,980,000	–	416,000	–	–	–	2,396,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	2,530,000	–	416,000	–	(550,000)	–	2,396,000			
Mr. Yeung Pui Sang, Simon	550,000	–	–	–	(550,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	1,650,000	–	347,000	–	–	–	1,997,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	2,200,000	–	347,000	–	(550,000)	–	1,997,000			
Mr. Zhang Yuan Jian	550,000	–	–	–	(550,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	1,650,000	–	347,000	–	–	–	1,997,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	2,200,000	–	347,000	–	(550,000)	–	1,997,000			
Independent non-executive directors										
Mr. Liu Cai	110,000	–	–	–	(110,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	110,000	–	23,000	–	–	–	133,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	220,000	–	23,000	–	(110,000)	–	133,000			
Mr. Lau Siu Ki, Kevin	110,000	–	–	–	(110,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	110,000	–	23,000	–	–	–	133,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	220,000	–	23,000	–	(110,000)	–	133,000			
Dr. Lin Jin Tong	110,000	–	23,000	–	–	–	133,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
Mr. Qian Ting Shuo	110,000	–	23,000	–	–	–	133,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
Other employees in aggregate	32,406,000	–	–	–	(32,406,000)	–	–	12 Jan 12	12 Jan 13–11 Jan 15	5.145
	37,180,000	–	7,078,000	(1,992,000)	–	(2,500,000)	39,766,000	11 Apr 14	11 Apr 15–10 Apr 19	1.638#
	69,586,000	–	7,078,000	(1,992,000)	(32,406,000)	(2,500,000)	39,766,000			
	78,276,000	–	8,512,000	(1,992,000)	(34,276,000)	(2,500,000)	48,020,000			

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

(a) SHARE OPTION SCHEMES (continued)

* The share options were adjusted as a result of the Jun 2015 Bonus Issue and the Oct 2015 Bonus Issue. The number of ordinary shares of HK$0.10 each in the share capital of the Company to be allotted and issued upon full exercise of the subscription rights attaching to the then outstanding 40,971,250 share options and the then outstanding 44,147,975 share options granted under the 2013 Scheme was adjusted to 45,068,375 ordinary shares and 48,562,452 ordinary shares of HK$0.10 each respectively.

** 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 Jun 2015 Bonus Issue and the Oct 2015 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 2015 Number of share options^ '000	**Exercise price of share options^ HK$ per share**	**Exercise period**
48,020	**1.638**	**11 April 2015 to 10 April 2019**

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		

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

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 expense recognized in the consolidated statement of profit or loss for employee services received during the Current Year is approximately HK$9,267,000 (2014: HK$11,123,000).

At the end of the reporting period, the Company had 48,019,773 share options outstanding under the 2013 Scheme, of which 10,286,160 were vested and 37,733,613 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 48,019,773 additional ordinary shares of the Company and additional share capital of HK$4,802,000 and share premium of HK$73,854,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 47,886,673 share options outstanding under the Schemes, which represented approximately 2.35% of the Company's shares in issue as at that date.

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

(a) SHARE OPTION SCHEMES (continued)

According to the scheme limit of the 2013 Scheme as refreshed at the annual general meeting held on 3 June 2015, the Company may further grant 168,071,158 share options (being 10% of the total number of issued shares of the Company as at the aforesaid date). Since no share option was granted under the refreshed limit, the total number of unissued share options under the scheme limit remained at 168,071,158, representing approximately 8.26% of the Company's shares in issue as at 31 December 2015.

(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.

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

(b) SHARE AWARD SCHEME (continued)

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.

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 2014 and 2015 are as follows:

	Note	Treasury shares held for the Share Award Scheme	Awarded Shares held for the Selected Persons
At 1 January 2015		6,453,557	–
Purchased at the market	28(e)	5,644,000	–
Issue of bonus shares		1,652,145	–
At 31 December 2015		13,749,702	–

	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(b)	–	(5,168,830)
Issue of bonus shares		586,687	–
At 31 December 2014		6,453,557	–

No Awarded Shares held for the Selected Persons were outstanding as at 31 December 2015.

30. RESERVES

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 50 and 51 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.

31. CONTINGENT LIABILITIES

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

	2015 HK$'000	2014 HK$'000
Guarantees given to banks in respect of performance bonds	**177,277**	127,648

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

	2015 HK$'000	2014 HK$'000
Within 1 year	**4,593**	4,620
In the 2nd to 5th years, inclusive	**8,780**	12,870
After 5 years	**553**	976
	13,926	18,466

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 6 years.

As at 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within 1 year	**36,535**	42,305
In the 2nd to 5th years, inclusive	**26,279**	37,199
After 5 years	**821**	1,760
	63,635	81,264

33. COMMITMENTS

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

	2015 HK$'000	2014 HK$'000
Contracted, but not provided for:		
Buildings	**–**	1,974
Plant and machinery	**1,207**	6,001
Capital contribution payable to the associate	**2,386**	–
	3,593	7,975

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:

	2015 HK$'000	2014 HK$'000
Short-term employee benefits	**20,081**	19,822
Equity-settled share option expense	**1,435**	1,842
Awarded share expense	**–**	545
Pension scheme contributions	**258**	307
Total compensation paid to key management personnel	**21,774**	22,516

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	
Financial assets	**2015 HK$'000**	2014 HK$'000
Trade receivables	**3,967,602**	4,381,627
Long-term trade receivables	**–**	12,179
Notes receivable	**96,376**	149,684
Financial assets included in prepayments, deposits and other receivables	**287,590**	294,245
Restricted bank deposits	**271,301**	359,115
Cash and cash equivalents	**1,747,360**	1,274,796
	6,370,229	6,471,646

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)

2015 Financial liabilities	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortized cost HK$'000	Total HK$'000
Trade and bills payables	–	3,257,652	3,257,652
Financial liabilities included in other payables and accruals	–	682,429	682,429
Derivative financial instrument	1,501	–	1,501
Interest-bearing bank borrowings	–	1,370,832	1,370,832
	1,501	5,310,913	5,312,414

2014 Financial liabilities	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortized cost HK$'000	Total HK$'000
Trade and bills payables	–	3,422,870	3,422,870
Financial liabilities included in other payables and accruals	–	719,645	719,645
Interest-bearing bank borrowings	–	1,651,024	1,651,024
	–	5,793,539	5,793,539

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 and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

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

The fair values of the non-current portion of restricted bank deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2015 was assessed to be insignificant.

As at 31 December 2014 and 2015, the carrying amounts of the Group's financial assets and financial liabilities approximate to their fair values.

The forward currency contract is measured using valuation techniques similar to forward pricing, using present value calculations. The models incorporate various market observable inputs including foreign exchange spot and forward rates. The carrying amount of the forward currency contract is the same as its fair values.

FAIR VALUE HIERARCHY

As at 31 December 2015, the forward currency contract measured at fair value belongs to hierarchy level 2 as disclosed in the accounting policy for fair value measurement in note 2.4 to the financial statements.

The Group did not have any financial assets measured at fair value as at 31 December 2014 and 2015.

During the year, there were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of level 3 for both the financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than the derivative, 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.

The Group also enters into derivative transactions, including a forward currency contract. The purpose is to manage the foreign currency risks arising from the Group's operations.

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:

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 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
2015			
United States dollars	**50**	**(3,877)**	**–**
United States dollars	**(50)**	**3,877**	**–**

	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	–

* 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 7.9% (2014: 5.6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 91.1% (2014: 89.0%) 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$") and the UAE Dirham ("AED") exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in US$/AED rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2015			
If Hong Kong dollar weakens against US$	**5**	**11,897**	**–**
If Hong Kong dollar strengthens against US$	**(5)**	**(11,897)**	**–**
If Brazil dollar weakens against US$	**5**	**(22,592)**	**–**
If Brazil dollar strengthens against US$	**(5)**	**22,592**	**–**
If RMB weakens against US$	**5**	**9,932**	**–**
If RMB strengthens against US$	**(5)**	**(9,932)**	**–**
If Hong Kong dollar weakens against AED	**5**	**(8,122)**	**–**
If Hong Kong dollar strengthens against AED	**(5)**	**8,122**	**–**

	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	–

* 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 36% (2014: 43%) and 84% (2014: 83%) 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 19 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:

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

	2015		
	Within 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	**643,069**	**808,204**	**1,451,273**
Derivative financial instrument	**1,501**	**–**	**1,501**
Trade and bills payables	**3,257,652**	**–**	**3,257,652**
Financial liabilities included in other payables and accruals	**682,429**	**–**	**682,429**
	4,584,651	**808,204**	**5,392,855**

	2014		
	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

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 2014 and 2015.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

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:

	2015 HK$'000	2014 HK$'000
Interest-bearing bank borrowings	**1,370,832**	1,651,024
Total assets	**9,574,875**	10,136,732
Gearing ratio	**14.3%**	16.3%

38. EVENTS AFTER THE REPORTING PERIOD

On 22 March 2016, 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 3 June 2016, being the record date for determination of entitlements to the bonus issue. Based on the total of 2,033,767,128 shares in issue as at 31 December 2015 and assuming no further shares will be issued or purchased before 3 June 2016, approximately 203,376,712 bonus shares will be issued by the Company. The share capital of the Company will increase from HK$203,377,000 to approximately HK$223,715,000 upon completion of the bonus issue. The amount of approximately HK$20,338,000 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

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the Current Year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the Current Year's presentation and disclosures.

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000 (Restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**675,674**	669,526
CURRENT ASSETS		
Due from subsidiaries	**1,093,200**	1,063,200
Cash and cash equivalents	**2,061**	1,089
Total current assets	**1,095,261**	1,064,289
CURRENT LIABILITIES		
Due to a subsidiary	**376,763**	316,779
Other payables and accruals	**75,546**	75,660
Total current liabilities	**452,309**	392,439
NET CURRENT ASSETS	**642,952**	671,850
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,318,626**	1,341,376
NON-CURRENT LIABILITIES		
Financial guarantee contracts	**9,338**	12,457
Net assets	**1,309,288**	1,328,919
EQUITY		
Issued capital	**203,377**	167,882
Treasury shares	**(22,530)**	(13,114)
Reserves (note)	**1,128,441**	1,174,151
Total equity	**1,309,288**	1,328,919

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus* HK$'000	Share-based compensation reserve** HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 31 December 2013	690,782	373,108	85,763	762	21,430	1,171,845
Profit and total comprehensive income for the year	–	–	–	–	20,568	20,568
Issue of bonus shares	(15,203)	–	–	–	–	(15,203)
Share option scheme						
– value of services	–	–	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	47,299	–	(47,816)	–	–	(517)
2014 Interim dividend	–	–	–	–	(18,314)	(18,314)
At 31 December 2014	722,878	373,108	52,730	762	24,673	1,174,151
Profit and total comprehensive income for the year	–	–	–	–	26,004	26,004
Issue of bonus shares	(35,131)	–	–	–	–	(35,131)
Share option scheme						
– value of services	–	–	9,267	–	–	9,267
– exercise of share options	4,407	–	(674)	–	–	3,733
– adjustment arising from lapse of share options	–	–	(64)	–	64	–
– share options cancelled at expiry date	–	–	(41,932)	–	41,932	–
Final 2014 dividend declared	–	–	–	–	(21,825)	(21,825)
Interim 2015 dividend	–	–	–	–	(27,758)	(27,758)
At 31 December 2015	692,154	373,108	19,327	762	43,090	1,128,441

* 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.

** The share-based compensation reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 22 March 2016.

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 is set out below:

	Year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
RESULTS					
REVENUE	**6,770,894**	6,733,214	5,720,599	6,332,867	6,354,218
Cost of sales	**(4,856,404)**	(4,973,204)	(4,355,013)	(4,716,988)	(4,027,521)
Gross profit	**1,914,490**	1,760,010	1,365,586	1,615,879	2,326,697
Other income and gains	**49,908**	60,903	68,408	68,854	110,269
Research and development costs	**(230,916)**	(192,986)	(207,158)	(376,766)	(361,914)
Selling and distribution expenses	**(472,976)**	(509,477)	(505,566)	(503,749)	(437,088)
Administrative expenses	**(836,216)**	(789,727)	(788,888)	(904,640)	(830,714)
Other expenses	**(27,750)**	(65,524)	(37,107)	(5,073)	(1,331)
Finance costs	**(67,722)**	(61,147)	(55,153)	(42,635)	(29,403)
Share of loss of an associate	**(127)**	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	**328,691**	202,052	(159,878)	(148,130)	776,516
Income tax expense	**(109,755)**	(47,532)	(84,867)	(67,515)	(121,772)
PROFIT/(LOSS) FOR THE YEAR	**218,936**	154,520	(244,745)	(215,645)	654,744
Attributable to:					
Owners of the parent	**212,876**	151,061	(240,722)	(202,364)	659,084
Non-controlling interests	**6,060**	3,459	(4,023)	(13,281)	(4,340)
	218,936	154,520	(244,745)	(215,645)	654,744
TOTAL ASSETS	**9,574,875**	10,136,732	10,318,277	10,091,711	9,581,332
TOTAL LIABILITIES	**(5,863,088)**	(6,370,777)	(6,590,386)	(6,229,552)	(5,498,508)
NON-CONTROLLING INTERESTS	**(59,256)**	(56,164)	(54,095)	(56,537)	(68,760)
	3,652,531	3,709,791	3,673,796	3,805,622	4,014,064

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

香港大埔香港科學園科技大道西8號東翼611
611 East Wing, No.8 Science Park West Avenue, Hong Kong Science Park, Tai Po, Hong Kong
電話 Tel : +852 2636 6861
傳真 Fax : +852 2637 0966
網址 Website : www.comba-telecom.com