Comba

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

Persistent • Focus
繼往開來 • 凝心聚力

Innovation • Brilliant
創新發展 • 再創輝煌

2020
Annual Report
年報

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 and has applied approximately 4,800 patents globally. Our global manufacturing base, located in Guangzhou Economic and Technological Development District, covers an area of approximately 80,000 square meters. Our 5G antenna and filter manufacturing base, located in Guangzhou Zhongxin Knowledge City, covers an area of approximately 20,000 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 100 countries and regions.

In December 2020, the Company won the Technological Achievement Grand Award at the 2020 HK Awards for Industries. 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, Hang Seng Corporate Sustainability Benchmark Index, as well as Shenzhen-Hong Kong Stock Connect (Southbound).

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，已申請國內外專利約4,800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。本公司亦在中國廣州中新知識城建有5G天線及濾波器生產基地，面積約20,000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100多個國家和地區開展產品銷售和技術服務。

2020年12月，本公司榮獲2020香港工商業獎科技成就獎殊榮。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和深港通下的港股通範圍。

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling *(Chairman)*
Zhang Yue Jun *(Vice Chairman)*
Xu Huijun *(President)*
Chang Fei Fu
Bu Binlong
Huo Xinru

Non-Executive Director

Wu Tielong

Independent Non-Executive Directors

Lau Siu Ki, Kevin
Lin Jin Tong
Ng Yi Kum
Wong Lok Lam (appointed with effect from 24 November 2020)
Leung Hoi Wai (resigned with effect from 24 November 2020)

COMPANY SECRETARY

Chan Siu Man

AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Lau Siu Ki, Kevin *(Chairman)*
Lin Jin Tong
Ng Yi Kum
Wong Lok Lam (appointed with effect from 24 November 2020)
Leung Hoi Wai (resigned with effect from 24 November 2020)

NOMINATION COMMITTEE

Lin Jin Tong *(Chairman)*
Lau Siu Ki, Kevin
Ng Yi Kum
Wong Lok Lam (appointed with effect from 24 November 2020)
Leung Hoi Wai (resigned with effect from 24 November 2020)

AUTHORIZED REPRESENTATIVES

Fok Tung Ling
Chang Fei Fu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Suntera (Cayman) Limited
Suite 3204 Unit 2A Block 3
Building D, P.O. Box 1586
Gardenia Court Camana Bay
Grand Cayman KY1-1100
Cayman Islands
(changed of name with effect from 4 September 2020 and changed of address with effect from 1 March 2021)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

DBS Bank (Hong Kong) Limited
18th Floor The Center
99 Queen's Road Central
Central Hong Kong

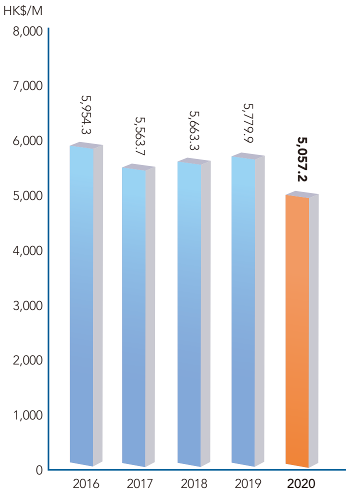
Bank of China Limited
Guangzhou Development Zone Branch
2 Qingnian Road GETD District
Guangzhou PRC

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

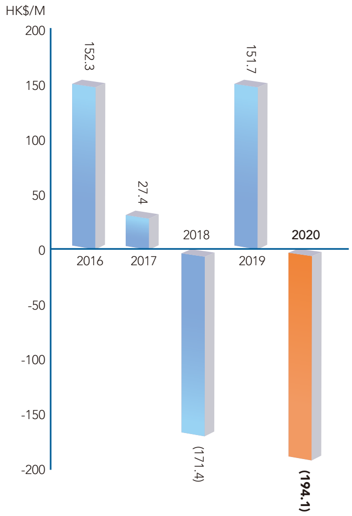
China Merchants Bank Co Ltd
Guangzhou Branch Gaoxin Sub-branch
1st Floor
Southern Communication Plaza
1 Huajing Road
Guangzhou PRC

FINANCIAL SUMMARY

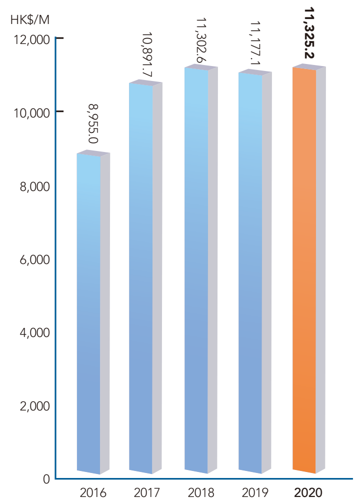
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT



TOTAL ASSETS



REVENUE BREAKDOWN BY BUSINESSES

▲ / ▼ = YoY change

▼ 35.8% Antennas and subsystems
35.7%

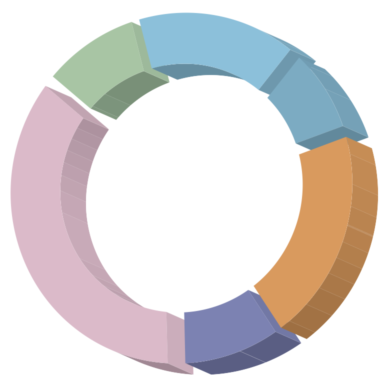
▲ 13.8% Network Systems
24.2%

▲ 8.2% Services
31.5%

▲ 3.2% Wireless Transmission & Others
8.6%

REVENUE BREAKDOWN BY CUSTOMERS

▲ / ▼ = YoY change



▲ 14.3% Others
14.9%

▼ 38.9% China Mobile
20.9%

▼ 17.4% China Telecom
9.8%

▲ 50.8% China Tower
8.8%

▼ 46.6% China Unicom
9.0%

▲ 12.9% International Customers & Core Equipment Manufacturers
36.6%

FINANCIAL SUMMARY

For the year ended 31 December	2020 HK$'000	2019 HK$'000	Change
Revenue	**5,057,240**	5,779,916	(722,676)
Gross profit	**1,445,181**	1,776,184	(331,003)
Gross profit margin	**28.6%**	30.7%	(2.1)pp
Operating (loss)/profit	**(199,812)**	234,688	(434,500)
(Loss)/Profit attributable to owners of the parent	**(194,104)**	151,749	NA
Net (loss)/profit margin	**(3.8%)**	2.6%	(6.4)pp
Basic (loss)/earnings per share (HK cents)	**(7.36)**	6.18	(13.54)

KEY FINANCIAL FIGURES

As at 31 December	2020 HK$'000	2019 HK$'000	Change
Total assets	**11,325,161**	11,177,089	1.3%
Net assets (before non-controlling interests)	**4,106,913**	3,461,209	18.7%
Net assets per share (HK dollars)	**1.49**	1.39	7.2%
Net cash	**494,381**	349,772	144,609
Inventory turnover days	**125**	114	11 days
A/R turnover days	**293**	258	35 days
A/P turnover days	**407**	380	27 days
Gross gearing ratio	**12.2%**	15.7%	(3.5)pp
Return on average equity	**(5.1%)**	4.5%	(9.6)pp

CORPORATE MILESTONE 2020

Provided communication guarantee for the mobile cabin hospital in Wugang Sports Center in Wuhan

Comba 5G Cloud Small Cell assisted its partners to debut the world's first highly reliable 5G private network system for mining

The 5G antenna and filter production base in Zhongxin Guangzhou Knowledge City commenced operation


中华人民共和国工业和信息化部
电信设备进网试用批文

Comba Network Systems Company Limited (京信網絡系統股份有限公司) was the first to obtain Network Access Licence for 5G Cloud Small Cell in the industry

Ms. Annabel Huo, Executive Director and Senior Vice President of Comba Telecom, President of Comba Telecom International honored at Young Industrialist Awards of Hong Kong ("YIAH") 2020

Awarded with the gold medal of the 21st China Patent Award

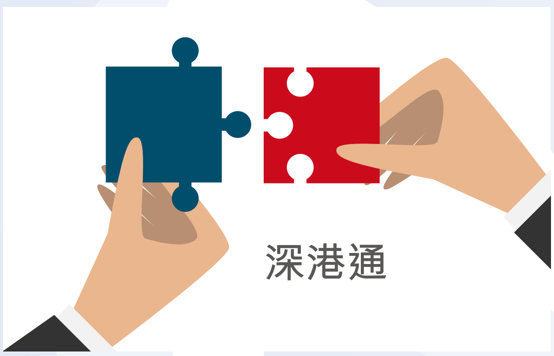
Introduced innovative antenna solutions and new products with 5G broad indoor coverage

Comba Telecom's ScanViS access control solution selected by China Mobile International for its data center

Comba Telecom launched its SAP upgrade project, which received numerous awards, including the 2020 Dingge Awards (2020年鼎革獎)

Commenced numerous Open RAN technology validation and trials with leading operators in Europe, MENA, APAC, Australia and more for promoting the development of Open RAN

Comba Network Systems Company Limited (京信網絡系統股份有限公司) was established



Comba Telecom was included in the Southbound Shenzhen-Hong Kong Stock Connect

Comba Telecom and 3 Hong Kong joined force to enable 5G network in Hong Kong

Comba Telecom completed its 7 millionth base station antenna (BSA)

CHAIRMAN'S STATEMENT

On behalf of Comba Telecom Systems Holdings Limited (the "Company"), I present to the shareholders the annual report of the Company and its subsidiaries ("Comba Telecom" or the "Group") for the year ended 31 December 2020 (the "Current Year").

The year 2020 marked a challenging one for Comba Telecom and it was also a crucial period for the Group to intensify and enhance operational efficiency targets. The domestic 4G development was gradually coming to an end and the global economy was seriously affected by the sudden outbreak of the COVID-19 pandemic at the beginning of the year, which resulted in a substantial delay in the progress of 5G construction at home and abroad. Coupled with the shrinking market demand, the overall revenue of the Group was less than expected. The Group's revenue during the Current Year was HK$5,057,240,000 representing a decrease of 12.5% as compared with the year ended 31 December 2019 (the "Prior Year"). Despite the unsatisfactory overall operating performance, the Group's wireless network systems business, wireless transmission business, service business, and international business performed well and recorded a growth amid the downward trend. The Group has also strengthened its cooperation with internationally-renowned key equipment suppliers in areas of 5G development, with a view to maintaining its position as a leading supplier and further enhancing brand recognition. In view of the decrease in the Group's overall revenue during the Current Year and the increase in R&D expenditure of 5G technology and new products, the Group recorded a loss attributable to owners of the Group's parent company of HK$194,104,000 during the Current Year.

The Group's major product and business made great progress during the Current Year. In terms of the network systems business, the team has rapidly completed the development of a series of integrated product with high power, achieving mass application of 5G dual-module iCell products. Meanwhile, on the domestic business side, apart from the completion of 5G Extended Picocell's trial operation, the Group has also experienced a rapid development in the vertical industry, for instance, it realized scale commercial use in smart mine business, achieved breakthroughs in intelligent hospital business, as well as carried out trials of 5G specialized networks in the areas of industrial interconnection and transportation. Overseas indoor coverage business performed well and breakthroughs were achieved in OpenRAN business with related products being expected to step in scale commercial use. In terms of base station antenna business, on the product side, the Group completed the development of new 700MHz and 2.1GHz antenna products required for 5GNR construction, and developed the industry-leading multi-antenna common-caliber wave transmission technology platform as well as the A+P antenna in strategic cooperation with the main equipment vendors in response to the 4G/5G integrated convergent antenna requirements for overseas 5G demands. On the business side, the Group continued to maintain its leading position in terms of market share among the domestic operators and regarding overseas business, with continuous consolidation of the cooperation with internationally-renowned key equipment suppliers, the Group has witnessed a significant growth of business in certain regions, such as Asia Pacific and Europe. In addition, the service business sustained a steady growth.

During the Current Year, the Group completed the placement financing and successfully raised a net amount of approximately HK$680 million, improving the cash flow and preparing capital reserves for 5G investment.

During the Current Year, the Group proactively carried out relevant R&D on the evolution of communication technology and application, and won many awards from authoritative organizations and industry associations. For instance, the Group has won the Golden Prize of the 7th Guangdong Patent Award with its "Joint Locking Mechanism and Antenna Tilt Control Device", the First Prize in Technological Invention of Guangdong Science and Technology Award with its "Key Technology and Application of Multi-System and Multi-Band Integrated Antenna", the 24th National Invention Exhibition Gold Award with its "New Generation of Mobile Communication Small Cell" and the Annual Dingge Award of China Digital Transformation Pioneer with its "Reinforcement of Digitization for Development of a Digital Comba Project".

CHAIRMAN'S STATEMENT

Notwithstanding the delay in the global 5G construction due to the sudden outbreak of the COVID-19 pandemic, the pandemic around the world will be gradually alleviated with the launch and orderly promotion of COVID-19 vaccines and global economic recovery is expected to be promising. In view of the fact that telecommunications network is an important driving force underpinning the general social and economic development, 5G construction is overwhelming and inevitable. In addition to consolidating its operation results, the Group will continue to devote efforts in 5G technology of new products to enhance the product competitiveness, market share and brand influence of its 5G-related products. At the same time, given that the 4G development in overseas emerging markets are still at an early stage, the Group will continue to strengthen its cooperation with internationally-renowned mobile operators and mainstream equipment suppliers to expand the overseas markets for promising results by capitalizing on its product solutions with high-cost efficiency and innovative technologies.

Fok Tung Ling
Chairman
Hong Kong

25 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

REVENUE

Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") reported revenue amounting to HK$5,057,240,000 (2019: HK$5,779,916,000) for the year ended 31 December 2020 (the "Current Year"), representing a decrease of 12.5% over the year ended 31 December 2019 (the "Prior Year"). The decrease was mainly attributable to the impact of the coronavirus disease 2019 ("COVID-19") pandemic on the global economy, which affected the market demand and caused a varying degree of delays in the construction of telecommunication network across the world.

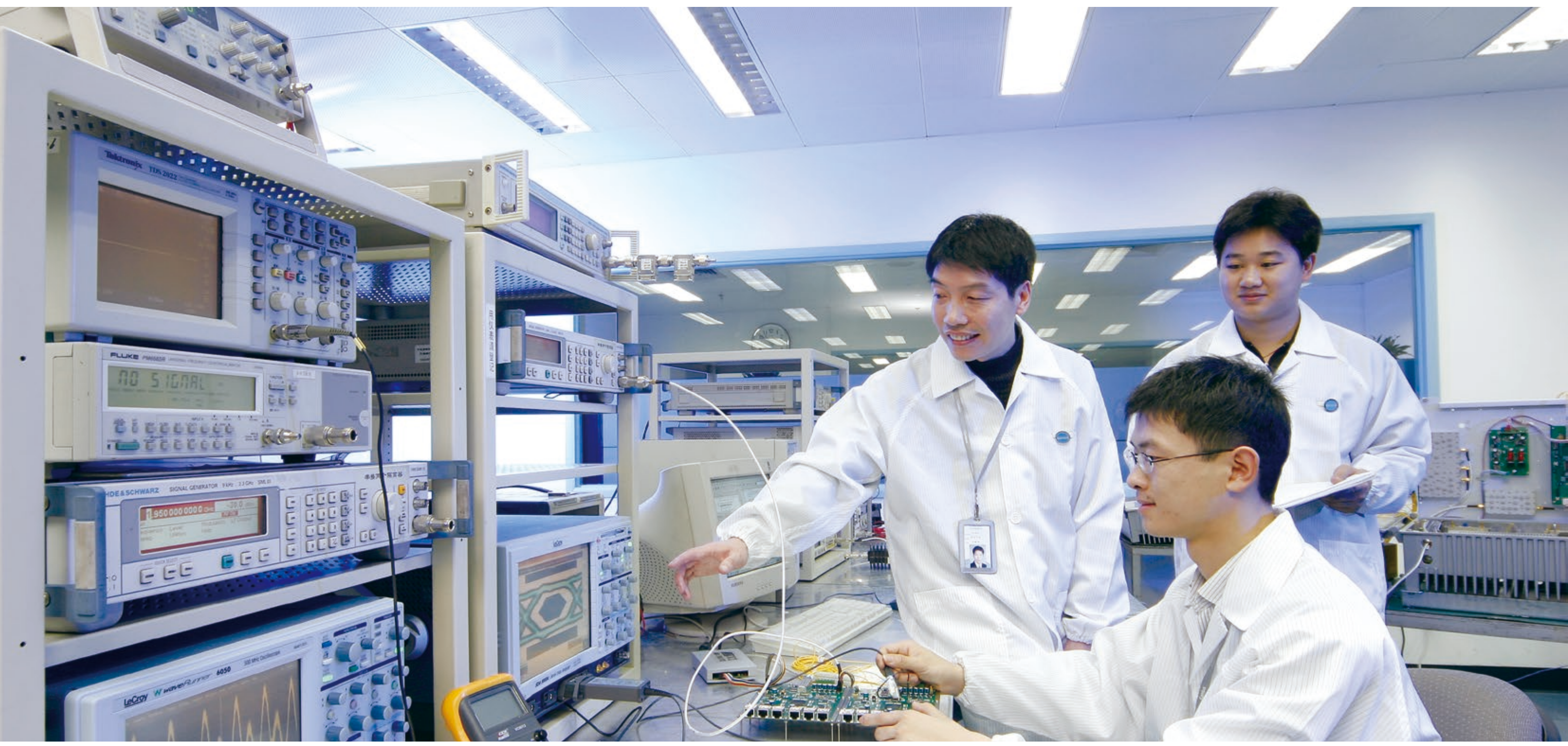
By Customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as "China Mobile") was HK$1,059,345,000 (2019: HK$1,734,492,000), representing a decrease of 38.9% over the Prior Year, accounting for 20.9% of the Group's revenue in the Current Year, compared with 30.0% in the Prior Year.

During the Current Year, revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as "China Unicom") decreased by 46.6% over the Prior Year to HK$453,786,000 (2019: HK$850,561,000), accounting for 9.0% of the Group's revenue in the Current Year, compared with 14.7% in the Prior Year.

During the Current Year, revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as "China Telecom") decreased by 17.4% over the Prior Year to HK$498,019,000 (2019: HK$603,275,000), accounting for 9.8% of the Group's revenue in the Current Year, compared with 10.5% in the Prior Year.

During the Current Year, revenue from China Tower Corporation Limited increased by 50.8% to HK$443,230,000 (2019: HK$293,998,000), and represented 8.8% of the Group's revenue in the Current Year, compared with 5.1% in the Prior Year.



MANAGEMENT DISCUSSION AND ANALYSIS

During the Current Year, revenue from other domestic customers increased by 16.5% to HK$582,582,000 (2019: HK$499,943,000) and represented 11.6% (2019: 8.6%) of the Group's revenue.

On the international front, revenue generated from international customers and core equipment manufacturers increased by 12.9% in aggregate to HK$1,853,178,000 (2019: HK$1,641,783,000) for the Current Year, accounting for 36.6% (2019: 28.4%) of the Group's revenue in the Current Year. Despite the disruption to global economic activities due to the outbreak of COVID-19 across the world, the Group achieved business breakthroughs in certain major areas, thanks to the dedication of its employees. Meanwhile, the Group maintained and made progress in the cooperation with internationally-renowned core equipment manufacturers in the field of 5G. The Group remains positive about the future prospect of its international business.

During the Current Year, revenue from ETL Company Limited ("ETL"), a middle and small-sized operator in Laos and a non-wholly-owned subsidiary of the Group, grew by 7.2% to HK$167,100,000 (2019: HK$155,864,000), accounting for 3.3% (2019: 2.7%) of the Group's revenue in the Current Year. The main reason for the increase was the improvement in the business since the completion and full commercialization of the nationwide 4.5G network in Laos by ETL.

By Businesses

During the Current Year, revenue from the antennas and subsystems business decreased by 35.8% over the Prior Year to HK$1,802,940,000 (2019: HK$2,808,365,000), accounting for 35.7% (2019: 48.6%) of the Group's revenue in the Current Year. The decrease was mainly attributable to certain delays in global 5G construction due to the COVID-19 outbreak. With the availability of vaccine, the pandemic is being brought under control gradually and the construction of the 5G network enters a new stage of in-depth development. The Group will continue to increase resources devoted to meeting 5G demands and seize opportunities to reach a new height.

In order to reflect the Group's products revenue nature more accurately, business with the nature of network system products in the Group's revenue will be included in network system business starting from the Current Year. During the Current Year, revenue from the network system business grew by 13.8% over the Prior Year to HK$1,223,557,000 (2019: HK$1,074,846,000), accounting for 24.2% (2019: 18.6%) of the Group's revenue. The increase was mainly attributable to the significant improvement in the overall operational efficiency of the network system business after its restructuring and optimization, as well as the good progress on the new indoor coverage business which recorded satisfying results from the launch of small cells.

During the Current Year, revenue from services increased by 8.2% over the Prior Year to HK$1,595,379,000 (2019: HK$1,474,707,000), accounting for 31.5% (2019: 25.5%) of the Group's revenue. The increase in revenue was mainly attributable to the fact that the Group optimized the servicing team and undertook higher quality construction projects. The Group expects that the service business will become more customized, intelligence-oriented and scenario-based in the 5G era.

GROSS PROFIT

During the Current Year, the Group's gross profit decreased by 18.6% over the Prior Year to HK$1,445,181,000 (2019: HK$1,776,184,000). The gross profit margin was 28.6% in the Current Year (2019: 30.7%), down by 2.1 percentage points compared with the Prior Year. The decrease in gross profit margin was mainly due to the Group's product income structure changed due to the delay in 5G construction under the COVID-19 pandemic, as well as related expenses such as trade tariff, transportation fee and others increased under the impact of COVID-19. In view of the gradual development of new 5G scenarios, the Group will launch new 5G products constantly to maintain a stable gross profit margin.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

During the Current Year, R&D expenses increased significantly by 35.8% over the Prior Year to HK$471,055,000 (2019: HK$346,785,000), representing 9.3% (2019: 6.0%) of the Group's revenue. As 5G technology enters the stage of in-depth development, the prospects of new application scenarios and models are promising. In order to enhance the competitiveness of new 5G products, the Group increased its 5G-related R&D investments and promoted innovation to capture business opportunities amidst the digitalization of the mobile telecommunications industry.

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Year, S&D expenses dropped by 3.1% over the Prior Year to HK$542,321,000 (2019: HK$559,599,000), representing 10.7% (2019: 9.7%) of the Group's revenue. The Group upgraded its business expansion strategy to focus on more profitable projects and boost the efficiency of resources investment. The S&D expenses in the Current Year continued to improve as compared with the Prior Year.

ADMINISTRATIVE EXPENSES

During the Current Year, administrative expenses slightly decreased by 0.4% over the Prior Year to HK$571,519,000 (2019: HK$573,966,000), representing 11.3% (2019: 9.9%) of the Group's revenue. The decrease in administrative expenses was primarily due to the Group's commitment to optimizing the organizational management structure, which continued to boost its operational efficiency.

FINANCE COSTS

During the Current Year, finance costs significantly decreased by 33.3% over the Prior Year to HK$69,352,000 (2019: HK$104,013,000), representing 1.4% (2019: 1.8%) of the Group's revenue. The decrease in finance costs was mainly due to lower interest rates on bank borrowings and the decline in loans during the Current Year.

The management has constantly exercised prudence in managing credit risk and the level of bank borrowings as well as improving cash flows. To cope with the business growth, the management will pay close attention to the latest trends in the financing market, changes in interest rates and financial policies, and arrange the most appropriate financing for the Group, in order to improve the structure of its debts and thereby reduce its financing costs.

In addition, the management has leveraged the difference between interest rate and foreign exchange rate among different countries to minimize finance costs. As of 31 December 2020, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 12.2% compared with the gearing ratio of 15.7% as of 31 December 2019.

OTHER EXPENSES

During the Current Year, other expenses increased by 2.7% over the Prior Year to HK$243,540,000 (2019: HK$237,211,000), representing 4.8% (2019: 4.1%) of the Group's revenue. The increase in other expenses was mainly due to the increase in depreciation of ETL's equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING LOSS

In summary, during the Current Year, the operating loss of the Group was HK$199,812,000 (2019: operating profit of HK$234,688,000).

TAX

During the Current Year, the Group's overall taxation charge of HK$23,011,000 (2019: HK$61,853,000) comprised an income tax expense of HK$28,846,000 (2019: HK$173,153,000) and a deferred tax credit of HK$5,835,000 (2019: deferred tax credit of HK$111,300,000). The decrease in the overall taxation charge was mainly due to the decrease in revenue for the Current Year.

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

NET LOSS

During the Current Year, the loss attributable to owners of the parent was HK$194,104,000 (2019: net profit of HK$151,749,000).

During the Current Year, the loss after tax from ETL (51% owned subsidiary of the Group) was HK$230,391,000 while the loss after tax from ETL in the Prior Year was HK$164,654,000.

DIVIDEND

In view of the Group's operating results for the Current Year and its long-term future development and flexibility of its financial position, the Board does not recommend the payment of 2020 final dividend (2019: HK1.2 cents).

PROSPECTS

The past 2020 was a very exceptional year. The sudden outbreak of the COVID-19 pandemic has disrupted the economy and people's daily lives in various countries and regions. However, with the availability of the vaccine, the pandemic has gradually been brought under control, and the global economic recovery has gradually been under the dawn.

In terms of 5G development across the world, the deployment of the 5G commercial network was delayed to some extent and the whole industry slowed down in 2020. Nonetheless, certain countries and regions took the path of in-depth 5G development against adversity, thereby moving towards more extensive coverage and multiple commercial uses. Looking forward, the 5G network will facilitate the in-depth integration with vertical industries and empower all sectors for their intelligent upgrade, and thus becoming the new growth drivers for the digital economy.

PRODUCTS AND SOLUTIONS

ANTENNA AND BASE STATION SUBSYSTEMS

Leveraging its extensive experience in mobile telecommunication network construction and its supreme technology in lightweight multisystem multi-mode shared antenna developed over the years, the Group has a long-established leading position in the base station antenna market. It has been widely recognized by numerous domestic and overseas telecommunication network operators, equipment manufacturers and integrators, with its antenna business presence in more than 100 countries and regions globally.

While 5G network construction enters the stage of in-depth development, the deployment of the 5G network faces challenges such as multi-system sharing, limited antenna location spaces, and high cost of network construction and operation. This has set higher standards for 5G antenna. The Group has been actively engaged in the R&D of new technology and products. Following the developing directions towards small and lightweight, multi-frequency and multi-mode, the Group developed various 5G base station antenna solutions, such as the active 5G Massive MIMO antennas, 4G/5G (8TR) integrated convergent antenna series, FDD ultra-multi-port multi-system shared antennas, TDD/FDD hybrid multi-system shared antennas, "A + P" tower top solutions and other representative product series. These products cater for the customer needs in various scenarios and facilitate the building of the 5G network.

In spite of the global outbreak of the COVID-19 pandemic, the Group maintained a steady supply of 5G antennas for all sub6G frequencies during the Current Year. In particular, the Group delivered the scale supply of its 4G/5G (8TR) low-channel integrated convergent antennas, which was one of its major 5G product, in regions such as Europe and the Asia Pacific. The Group also supplied 5G AFU and dielectric filters in bulk, which drove the increase in the market share of 5G Massive MIMO products.

During the Current Year, the Group targeted the indoor coverage capacity of "5G broad indoor coverage" and introduced "innovative solutions of antenna for broad indoor coverage" such as the new building coverage antenna addressing the demand of residential areas coverage, and the 3D beam forming antenna addressing the coverage demand from large venues, transportation hubs and others. These products were in scale supply. In addition, the Group designed the "innovative antenna and subsystem solution for 5G coverage on roads" specifically for high-speed railway, expressways and tunnels, which has passed the preparation stage and commenced the large-scale application in certain provinces. As 5G indoor coverage develops and network operators increase 5G coverage on roads, these new customized antennas are expected to contribute to future business growth.

NETWORK PRODUCT SYSTEM SOLUTIONS

The Group has been committed to R&D and technology innovation of indoor coverage network products for many years and also possesses leading technologies such as innovative digital indoor distribution solutions designated for indoor wireless network coverage.

As the deployment of the 5G network advances, the development of indoor 5G network coverage is in the pipeline. Traditional indoor coverage faced difficulties such as insufficient indoor capacity, high frequency features and empowerment of vertical industries. As a result, innovative digital indoor coverage gained wide attention. The Group actively participated in the R&D of 5G technology and products, while formulating standards and promoting the industry. It also independently developed the end-to-end solution that integrated the 5G Cloud Small Cell, the lightweight MEC, the lightweight core network, the broad Internet of Things and the network management system.

The Group's 5G open small cell series, which is the 5G open platform of the Group, is designed to meet the traditional needs of 5G coverage in everyday scenarios as well as the new requirements for "5G+Industrial Internet". Currently, the product series has adopted common intelligent technology in the first batch of industrial internet application demonstration park project in the Guangdong Province and the technologies included cloud-based SMT management, clouded-based AGV navigation, clouded-based visual detection and clouded-based facial recognition. The product series was also awarded the First Prize and the Best Business Value Prize at the Guangdong Division of the 3rd "Blossom Cup" 5G Application Contest.

In addition, the Group achieved substantial business progress as it offered the end-to-end network platform solution to cater to the specific needs of vertical industries. It commenced the in-depth cooperation with major domestic industry leaders in the field of 5G+ and established a benchmark for demonstration. For instance, the Group achieved the mass commercialization of intelligent mining technology with facilitating underground deployment and normal business operation, while it also made its first step in the intelligent hospital business. The Group also launched pilot schemes for specialized 5G networks in the fields of industrial internet, energy and chemical industry, transportation and others.

Given the accelerating development of 5G indoor coverage and industrial applications, the Group will pursue continuous innovation and offer competitive products and comprehensive solutions to customers and partners, so as to achieve win-win outcomes through cooperation and promote the 5G-empowered digital transformation of the industry.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET EXPANSION

OPERATOR BUSINESS IN MAINLAND CHINA

Although the COVID-19 outbreak early last year delayed China's 5G rollout to a certain extent, the country took an irreversible step forward and stably maintained its leadership in the global 5G market. During the Current Year, the three major operators launched the 5G commercial network in an orderly manner. China has the largest number of 5G macro cells and 5G users in the world. Its 5G development has entered a new stage of more in-depth deployment.

Following the large-scale deployment of the 5G mobile network by the three major operators intensively, the construction of the 5G network faces new challenges. The width of network coverage has to be considered and the development of low-frequency 5G spectrum is underway. At the same time, the 700MHz 5G wireless network jointly built by China Mobile and China Broadcasting Network Group, as well as the 2.1GHz 5G wireless network jointly built by China Telecom and China Unicom, gradually step into the procurement stage. The deployment of 5G indoor coverage was widely discussed and the network construction model was gradually established, which further optimized the coverage of the 5G network. The Group will continue to give full play to its R&D strengths developed over the years. In addition, it will enhance the marketing strategies and provide comprehensive business support to customers in terms of R&D, production and product launch.

INTERNATIONAL BUSINESS

The Group's international marketing platform expands the overseas market actively by exploring customer demands, developing the target market, researching for new products and maintaining competitiveness. The Group will continue the steady cooperation with international mobile operators and global leading telecom core equipment manufacturers in key areas of network construction. Apart from offering advanced 5G application solution to the world, it will tap into the demand for massive network construction in regions that lagged in 4G network development, so as to strengthen its position in the global market.

During the Current Year, the COVID-19 outbreak and the slowdown in the global economy posed headwinds to the Group. In spite of this, the Group achieved excellent results in the international business by capitalizing on its comprehensive strengths in product and technology. At the same time, its overall operation improved against the downward trend. In terms of mobile operation, some of its products attracted new major customers in key areas, which enhanced brand recognition. In order to maintain its position as the leading supplier, the Group continued to strengthen the close relationship with telecom core equipment manufactures in 5G development. Moreover, it seized market opportunities in several regions and boosted local sales performance significantly.

During the Current Year, the Group made substantial progress in the field of OpenRAN. It achieved groundbreaking results with core customers and laid a solid foundation for mass commercial use in the future. With the aim of promoting the OpenRAN industrial alliance, the Group will continue to expand the OpenRAN ecosystem, seek strategic partners, explore sales channels and conduct joint product R&D.

NEW BUSINESS

The three major applications for 5G, namely enhancement of mobile broadband, large-scale internet of things, and ultra-reliable and low latency communication, will bring revolutionary changes to the mode of production and people's daily lives. During the Current Year, the Group continued to explore "5G+applications" and supported the effective integration of 5G technology with various aspects of intelligent manufacturing, including intelligent manufacturing workshop, flexible production lines and intelligent machinery. For instance, the Group made technology breakthroughs in the "5G+Mobile Robot" product series, established the AGV mainstream car models and commenced the related pilot projects. In the future, the Group will actively develop innovative business and make new contribution to business results.

CONCLUSION

In the past year, global 5G network construction made slow progress on a difficult path. Fortunately, the vaccine rollout will bring the pandemic under control and facilitate global economic recovery. The Group will continue to promote new 5G technologies and develop new 5G products in a bid to seize opportunities for 5G construction and achieve another success.

Meanwhile, sticking to the core value of "creating ideal values for customers", the Group will continue to implement refined management, focus on high-value projects, maintain the lean allocation of resources, drive more efficient resources investment, boost operating efficiency and improve various operating indicators. It will strive to create value for customers and make unremitting efforts to achieve the Group's operation objectives and strategic goals.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2020, the Group had net current assets of HK$2,227,785,000. Current assets comprised inventories of HK$1,275,812,000, trade receivables of HK$4,130,899,000, notes receivable of HK$134,132,000, prepayments, other receivables and other assets of HK$835,805,000, financial assets at fair value through profit or loss of HK$1,475,000, restricted bank deposits of HK$133,702,000 and cash and cash equivalents of HK$1,716,786,000. Current liabilities comprised trade and bills payables of HK$4,030,825,000, other payables and accruals of HK$844,867,000, interest-bearing bank borrowings of HK$972,173,000, tax payable of HK$78,648,000 and provisions for product warranties of HK$74,313,000.

The average receivable turnover for the Current Year was 293 days compared to 258 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 customers which are granted with longer credit term. The balances also include retention money, which is for assurance that the product and service comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, or upon completion of the warranty periods of 1 to 2 years granted to customers. The average payable turnover for the Current Year was 407 days compared to 380 days for the Prior Year. The average inventory turnover for the Current Year was 125 days compared to 114 days for the Prior Year.

As at 31 December 2020, the Group's cash and bank balances were mainly denominated in RMB, HK$ and US$ while the Group's bank borrowings were mainly denominated in RMB and HK$. 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 a 3-year term loan facility agreement with certain financial institutions with the principal amount of HK$980,000,000 on 30 January 2019 which was further increased to HK$1,458,000,000 by way of accession. Details of bank borrowings are set out in note 26 to the consolidated financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, HK$ and US$. In view of 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 2020, the Group has outstanding non-deliverable foreign currency option contracts in respect of Indonesian Rupiah, Indian Rupee and Brazilian Real with notional amount of US$3,000,000, US$5,000,000 and US$5,000,000 respectively (31 December 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

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

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 12.2% as at 31 December 2020 (31 December 2019: 15.7%).

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

MATERIAL ACQUISITIONS AND DISPOSALS/TRANSACTIONS

On 29 May 2020, the Company adopted a share incentive scheme (the "Scheme") and shares of Comba Network Systems Company Limited (京信網絡系統股份有限公司) (formerly known as Comba Telecom Systems (China) Limited# (京信通信系統(中國)有限公司)) ("Comba Network", which is an indirect subsidiary of the Company) were awarded to the selected participants of the Scheme to recognize their contributions to the Group. The acquisitions of incentive shares of Comba Network by G Partnerships (which included Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥))) and Non-G Partnerships (which included Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥))) under the Scheme constituted a deemed disposal (the "Deemed Disposal I") of the Company under which the Company's equity interest in Comba Network decreased by approximately 10.43% upon completion.

On 22 December 2020, Intel Asia Pacific Research and Development Ltd. (英特爾亞太研發有限公司) ("Intel AP") and Comba Network entered into a subscription agreement, pursuant to which Comba Network has agreed to allot and issue, and Intel AP has agreed to subscribe for 16,586,416 shares, representing 4.5% of the enlarged equity interest in Comba Network at a consideration of RMB94,241,000. The aforesaid allotment and issuance of shares by Comba Network also constituted a deemed disposal (the "Deemed Disposal II") of the Company.

Comba Network remains as subsidiary of the Company after the completion of the Deemed Disposal I and Deemed Disposal II.

Comba Network is principally engaged in manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services. It currently focuses on R&D, manufacture and sale of network system products, including macro cells, small cells, related extended & in-depth coverage solutions and OpenRAN products as well as providing network solutions for 5G vertical industry.

For details of the Deemed Disposal I and Deemed Disposal II, please refer to the announcements of the Company dated 10 June 2020, 24 June 2020 and 22 December 2020.

Save as disclosed above, the Group has not conducted any other material acquisitions and disposals of subsidiaries and associated companies during the Current Year.

USE OF PROCEEDS

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

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

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

The net proceeds from the Placing and the Subscription as disclosed in the announcements of the Company dated 23 April 2020, 24 April 2020, 28 April 2020 and 8 May 2020 are approximately HK$686,235,000 (after deducting the related costs and expenses) and the net subscription price of each share of the Company was approximately HK$2.98 (after deducting the related costs and expenses). As at 31 December 2020, the Company has utilized the net proceeds, details are set out as follow:

Net proceeds raised HK$'000		Intended use of the net proceeds	As at 31 December 2020 Amounts utilized HK$'000	Amounts unutilized HK$'000	Expected timeline for utilizing the residual amount of net proceeds*
515,390	(a)	R&D of 5G small cells and OpenRAN, 5G antenna development and filter, and development of 5G+ vertical applications	144,357	371,033	by 30 June 2023
170,845	(b)	expansion of production capacity, focusing on the production of 5G small cells and antenna products	44,496	126,349	by 30 June 2023
686,235			188,853	497,382	

* The expected timeline for utilizing the residual amount of the net proceeds is based on the best estimation of the future market conditions made by the Group and will be subject to change based on future development of market conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

RESTRICTED BANK DEPOSITS

Deposit balances of HK$160,068,000 (31 December 2019: HK$240,711,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities of HK$381,819,000 (31 December 2019: HK$442,892,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had approximately 6,000 staffs, out of which 1,300 staffs from ETL (31 December 2019: 6,000 staffs, out of which 1,300 staffs from ETL). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,156,843,000 (31 December 2019: HK$1,164,803,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share option scheme, share award scheme and share incentive scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

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

for identification purpose

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fok Tung Ling (霍東齡), aged 64, 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 (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. 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 (北京郵電學院) (currently known as Beijing University of Posts and Telecommunications (北京郵電大學) ("BUPT")), majoring in microwave communications. Prior to 1991, Mr. Fok worked as a marketing executive in China National Electronics Import & Export Corporation, South China Branch (中國電子進出口有限公司華南分公司) 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 39 years of experience in wireless communications. He is the sole director and shareholder of Prime Choice Investments Limited, which is a substantial shareholder of the Company. Mr. Fok is the father of Ms. Huo Xinru.

Mr. Zhang Yue Jun (張躍軍), aged 62, is one of the founders of the Group. He is the vice chairman of the Board. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director. He also acted as the president of the Group from 1 October 2011 to 7 December 2018. Mr. Zhang is mainly responsible for assisting the Chairman in performing the latter's duties and responsibilities, also taking the important role in monitoring the implementation of the Company's strategies. Mr. Zhang graduated from South China Institute of Technology (華南工學院) (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 38 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Huijun (徐慧俊), aged 47, is an executive director of the Company and the president of the Group. He also holds various positions in the subsidiaries of the Company, including acting as legal representative, director and general manager. Mr. Xu is mainly responsible for the Group's overall operation, management, business development, research and development of new technologies and products and supply chain system. Mr. Xu graduated from Tsinghua University in 1998 with a master's degree in engineering and joined ZTE Corporation ("ZTE") in the same year. He had served as system engineer, project manager, deputy head and head of Beijing Research Centre of ZTE from 1998 to 2003. He was senior vice president of ZTE from 2004 to March 2016, having been in charge of the General Product Division, Engineering Services under the Sales System, Engineering Service Division and Wireless Product Division. He had been executive vice president and chief technology officer (CTO) of ZTE from April 2016 to July 2018, in full charge of the operation of system products and management of research and development. Mr. Xu has over 22 years of management experience in telecommunications industry. Mr. Xu joined the Group in August 2018.

Mr. Chang Fei Fu (張飛虎), aged 46, is an executive director of the Company and the group chief financial officer. He is also the authorized representative of the Company. Mr. Chang holds various positions in the subsidiaries of the Company, including acting as director, company secretary, chief financial officer and supervisor. He is mainly responsible for the overall financial management of the Group, as well as listed company related matters and investor relations duties. Mr. Chang has obtained a master's degree in engineering economic systems from Stanford University, the USA and a bachelor's degree in electrical engineering from the University of Michigan, the USA. He has over 23 years of experience in corporate finance, merger and acquisition, financial analysis, research, capital markets and asset management. Prior to joining the Group, Mr. Chang has worked in financial institutions and corporates in Hong Kong, China and Japan, including the Stock Exchange of Hong Kong, Bank of America Merrill Lynch (currently known as BofA Securities, Inc.) (Hong Kong and Tokyo), Rockhampton Management (Tokyo), Barclays Capital (Hong Kong). During 2011, Mr. Chang joined China Mobile Games and Entertainment Group Limited ("CMGE Group") in the founding member team as an executive director and chief financial officer. He led CMGE Group to its listing on the United States NASDAQ Stock Exchange in September 2012, conducted a series of equity fund raisings including CMGE Group's initial public offering, as well as its privatization. Mr. Chang left CMGE Group in August 2015 after the company completed its privatization. Mr. Chang then joined ule.com (an e-commerce platform jointly launched by TOM Group Limited and China Post) as a senior vice president in finance in September 2015. Mr. Chang joined the Group in 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Bu Binlong (卜斌龍), aged 58, is an executive director of the Company. He is also senior vice president of the Group and chief scientist of antenna and subsystem business unit (ASBU) business lines, in charge of the ASBU and the group procurement center. Mr. Bu is also acting as director of a subsidiary of the Company. He graduated in 1985 from Northwest Telecommunication Engineering Institute (currently known as Xidian University) and obtained a master's degree in electronic magnetic field and microwave technology from Xidian University in 2002. Mr. Bu has over 35 years of technical research experience in the domain of satellite antennas and mobile communications antennas. He was appointed as an adjunct professor of the key laboratory for antenna and electromagnetic compatibility of Xidian University in 2010, elected as the vice chairman of the Communication Antenna Special Committee of the Antenna Branch of Chinese Institute of Electronics in 2011, elected as the vice chairman of the Antenna System Industry Alliance of the PRC in 2017, and appointed as the vice chairman of the Antenna and Radio Frequency Technology Committee under China Institute of Communications in 2018. Mr. Bu joined the Group in 2003.

Ms. Huo Xinru (霍欣茹), aged 37, is an executive director of the Company. She is also senior vice president of the Group and president of Comba Telecom Systems International Limited. Ms. Huo also holds various positions in the subsidiaries of the Company, including acting as director and chief executive officer. She is mainly responsible for the relevant management work delegated by the Group and the operation and management of Comba Telecom Systems International Limited. Ms. Huo graduated from Imperial College London in UK in 2007 majoring in electrical and electronic engineering, and obtained a bachelor's degree; graduated from Stanford University in the USA in 2009 majoring in (electrical engineering) digital signal processing, and obtained a master's degree. She has served successively such positions as software and application engineer, customer manager, and vice president of marketing in North America branch of the Group. Ms. Huo joined the Group in 2010. She is the daughter of Mr. Fok Tung Ling.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Wu Tielong (吳鐵龍), aged 57, is a non-executive director of the Company and was an executive director of the Company from 12 April 2018 to 31 December 2019. He also holds various positions in the subsidiaries of the Company, including acting as director and general manager. Mr. Wu graduated from the Nanjing Institute of Communication Engineering in 1985 and obtained a bachelor's degree in communication engineering. He was an associate professor. Mr. Wu has over 17 years of experience in the operation and management in the market of communications. Mr. Wu joined the Group in 2003.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, Kevin (劉紹基), aged 62, is an 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 35 years of experience in corporate governance, 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 FIH Mobile Limited, Samson Holding Ltd., Embry Holdings Limited, Binhai Investment Company Limited, TCL Electronics Holdings Limited and IVD Medical Holding Limited. In addition, Mr. Lau was an independent non-executive director of China Medical & HealthCare Group Limited, a company listed on the main board of the Stock Exchange, until his retirement on 6 December 2018. He was also an independent supervisor of the sixth session of the supervisory committee of Beijing Capital International Airport Co., Ltd., the shares of which are listed on the main board of the Stock Exchange, until his retirement on 28 June 2017. Mr. Lau is also the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited, both companies listed on the main board of the Stock Exchange, and also Expert Systems Holdings Limited, a company listed on GEM of the Stock Exchange. Mr. Lau joined the Group in 2003.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Lin Jin Tong (林金桐), aged 75, is an 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. Dr. Lin is currently a professor of BUPT. He graduated from Peking University majoring in Physics, and obtained a master's degree in engineering from BUPT. Dr. Lin further obtained a doctorate degree in Philosophy and an honorary doctorate degree in Science from University of Southampton, UK. He has worked as lecturer, professor, department head, vice president of BUPT and was also the president of BUPT from 1998 to 2007. Dr. Lin was also a member of the 10th Beijing Municipal Committee of the Chinese People's Political Consultative Conference from 2003 to 2008. He was a deputy director-general of China Institute of Communications and is currently a fellow member of The Institution of Engineering and Technology. Dr. Lin has long been engaged in optical communication engineering, including research and teaching in the aspects of high-speed optical communication system and broadband optical access network. He is currently a director of Jiangsu Zhongtian Technology Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange, an independent director of Tongding Interconnection Information Co., Ltd. and HC SemiTek Corporation, the shares of which are both listed on the Shenzhen Stock Exchange and UTStarcom Holdings Corp., the shares of which are listed on the Nasdaq Market in the United States. Dr. Lin joined the Group in 2012.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ng Yi Kum (伍綺琴), aged 63, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, an associate of The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute), a fellow of the ACCA, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Ng has been an elected member of Quality Tourism Services Association Governing Council (Retailer Category) since February 2019. She is currently an executive director, the deputy chairman, the chief strategy officer and chief financial officer and the company secretary of Tse Sui Luen Jewellery (International) Limited, a company listed on the Stock Exchange. Ms. Ng was employed by the Stock Exchange in a number of senior positions, including served as senior vice president of the Listing Division. She joined Hang Lung Properties Limited, a company listed on the Stock Exchange, in 2003 and from September 2005 to November 2007, she served as its executive director. Ms. Ng then served as the chief financial officer of Country Garden Holdings Company Limited from January 2008 to April 2014, a company listed on the Stock Exchange. She is currently also an independent non-executive director of five other companies listed on the main board of the Stock Exchange namely Tianjin Development Holdings Limited, CT Vision S.L. (International) Holdings Limited (formerly known as CT Vision (International) Holdings Limited), CMGE Technology Group Limited, Powerlong Commercial Management Holdings Limited and KWG Living Group Holdings Limited. Ms. Ng served as an independent non-executive director of Hong Kong Resources Holdings Company Limited, a company listed on the Stock Exchange, until she resigned on 31 July 2015. She also served as an independent non-executive director of CMGE Group, a company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, until she resigned on 10 August 2015. Ms. Ng also served as an independent director of DS Healthcare Group, Inc. until she resigned on 16 May 2017, a company listed on the Nasdaq Capital Market in the United States until it was delisted on 23 December 2016. She served as an independent non-executive director of China Power Clean Energy Development Company Limited, a company listed on the Stock Exchange and the shares of which were delisted from the Stock Exchange on 21 August 2019, until she resigned in October 2019. Ms. Ng has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013. Ms. Ng joined the Group in 2019.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong Lok Lam (王洛琳), aged 35, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Ms. Wong is a qualified lawyer practising in Hong Kong. She graduated from the Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration (major in Accounting), a Juris Doctor degree, and a Postgraduate Certificate in Laws. Ms. Wong also obtained a Master of Laws from University College London in UK. She qualified as a solicitor in 2012 and has over 8 years of legal and commercial experience in the domestic and international markets. She is also an accredited mediator in Hong Kong. Ms. Wong worked in various international and local law firms in Hong Kong. She is currently the Senior Legal Counsel of a media company. Ms. Wong joined the Group in 2020.

SENIOR MANAGEMENT

Mr. Sun Shanqiu (孫善球), aged 41, senior vice president and general manager of the antenna and subsystem business unit and chief architect of antenna business line of the Group. Mr. Sun is responsible for the operation and management of the antenna and subsystem business of the Group. 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 and obtained an EMBA degree from Beijing University of Posts and Telecommunications (北京郵電大學) in 2016. Mr. Sun has over 18 years of experience in the industry of mobile communications antenna. In addition, he has a wide range of experience in the research and development, market, manufacturing and operation management. He was elected as the vice president of the Antenna System Industry Alliance in 2016. He was appointed as a professional member of the Antenna and Radio Frequency Technical Committee of China Institute of Communications (中國通信學會天線與射頻技術委員會) in 2018. He joined the Group in 2002.

Mr. Zhou Haitao (周海濤), aged 49, senior vice president and general manager of the marketing center of the Group. Mr. Zhou is responsible for the operation and management of the Group's sales platform in Mainland China. He graduated from Huazhong University of Science and Technology (華中理工大學(現稱華中科技大學)) and obtained a bachelor's degree in engineering in 1995. Mr. Zhou has over 21 years of experience in the marketing and operation management in the communications industry. He joined the Group in 2019.

Mr. Li Xuefeng (李學鋒), aged 48, senior vice president of the Group. Mr. Li is responsible for the management of the human resources, audit, legal affairs, risk management and control and intellectual property rights of the Group. He is an individual member of the Chinese Institute of Certified Public Accountants, an International Forensic Certified Public Accountant (FCPAi) (國際註冊法務會計師), a Certified Fraud Examiners (CFE) (國際舞弊審計師), a professorship senior economist and a PhD in management. He graduated from Northeast Forestry University (東北林業大學) majoring in accounting with a bachelor degree in economics. He also obtained a master degree in management from Royal Roads University, and an EMBA degree from Lingnan College in Sun Yat-Sen University (中山大學嶺南學院), and a PhD degree in management from University of California, Berkeley. Mr. Li has many years of experience in finance, internal audit, legal affairs and intellectual property rights. He serves as an off-campus instructor or a visiting professor of Master Institute of a number of universities, including the Law School of South China University of Technology, the Humanities and Law School of Northeast Forestry University, and South China Normal University. He joined the Group in 2010.

Mr. Luo Ruibo (駱瑞波), aged 46, senior vice president of the Group. Mr. Luo is responsible for the operational management of the process and IT center, and administrative department of the Group. Mr. Luo was in charge of the work in relation to 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. He also obtained an MBA degree from Sun Yat-Sen University (中山大學) in 2009. Mr. Luo has over 23 years of experience in human resource management and corporate operational management of large enterprises. He joined the Group in 2005.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Suiyang (陳遂陽), aged 57, president assistant of the Group. Mr. Chen is mainly responsible for the related work as assigned by the president. Mr. Chen was in charge of the operational management of the IT center, process systems department and the intelligent manufacturing business unit of the Group as well as 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 35 years of experience in technology research and operational management of wireless communications. He joined the Group in 1998.

Mr. Chan Siu Man, Barry (陳少文), aged 52, deputy financial controller of treasury management (overseas) of the Group, also the company secretary of the Company. Mr. Chan is responsible for treasury management and company secretarial 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.

Ms. Carol Ka Ye (葉卡), aged 54, vice president of Comba International. Ms. Ye is responsible for key account management, developing and expanding the business for global accounts, defining the strategies, business models and corresponding process 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 knowledges and working experiences in product management, business development and network planning in Telecommunication and Wireless industry. She joined the Group in 2005.

Mr. Johan Patrik Westfalk, aged 49, managing director of the Group's international branch in Europe with headquarters in Madrid, Spain and the Caribbean & Latin American branch with headquarters in Sao Paulo, Brazil. Mr. Westfalk is responsible for all operations throughout the European countries including Russia and Turkey and 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 Sao Paulo, Brazil. Mr. Westfalk has over 24 years of experience in the telecommunication industry and over 20 years of experience in making business in the Latin American markets. He joined the Group in 2006.

Mr. Di Yingjie (邸英傑), aged 59, chief 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 a doctorate degree in engineering. He subsequently engaged in the post-doctorate research work at the University of Birmingham in the United Kingdom (英國伯明罕大學). Mr. Di has been engaged in the theory, design and research of microwave RF accessories for a long period of time. Mr. Di also has extensive experience in product development. He is now a senior member of IEEE. He joined the Group in 2004.

Mr. Liu Peitao (劉培濤), aged 43, deputy general manager of the antenna and subsystem business unit and the supervisor of the antenna and subsystem R&D center of the Group. He graduated from Ludong University in 2002 and obtained a master's degree in radio physics from Shanghai University in 2005. Mr. Liu has over 14 years of experience in the technical research and product development in the mobile communications antennas sector. He joined the Group in 2006.

Mr. Yuan Zhandong (袁站東), aged 43, deputy general manager of the marketing center of the Group, in charge of the operation and management of the domestic marketing platform service business. He completed the undergraduate studies in Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in 2001, majoring in engineering management. He has nearly 20 years of experience in the communications industries. He joined the Group in 2020.

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. The Company 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 shareholders (the "Shareholders") of the Company.

The board (the "Board") of directors (the "Director(s)") of the Company reviewed daily governance of the Company from time to time in accordance with the code provisions (the "Code Provision(s)") as set out in the Corporate Governance Code contained in Appendix 14 of 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 2020 to the date of this annual report, the Company has complied with all 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 of the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions from 1 January 2020 to the date of this annual report.

BOARD OF DIRECTORS

BOARD COMPOSITION

As at the date of this annual report, the Board comprises eleven Directors, of whom six are executive Directors, one is non-executive Director and four are independent non-executive Directors. Mr. Lau Siu Ki, Kevin and Ms. Ng Yi Kum, both independent non-executive Directors, have the appropriate accounting qualification and 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, research and development, accounts and finance and legal.

Details of the composition of the Board, by category of Directors, including names of chairman, executive Directors, non-executive Director, independent non-executive Directors and their respective experience and qualifications with specific responsibilities assigned to enhance the effectiveness of the Company, also their financial, business, family or other material/relevant relationships, if any, are set out in the section "Directors and Senior Management" of this annual report.

BOARD MEETINGS

For the year ended 31 December 2020 (the "Current Year"), there were nine Board meetings and an annual general meeting held by the Company and attendance of each Director at the Board meetings and the general meeting (either in person or by way of video/telephone conference) is set out as follows:

Name of Directors	Number of Board meetings attended/ Total number of Board meetings held	Number of general meeting attended/ Total number of general meeting held
Executive Directors:		
Mr. Fok Tung Ling *(Chairman)*	9/9	1/1
Mr. Zhang Yue Jun *(Vice Chairman)*	8/9	1/1
Mr. Xu Huijun *(President)*	9/9	1/1
Mr. Chang Fei Fu	9/9	1/1
Mr. Bu Binlong	9/9	1/1
Ms. Huo Xinru	9/9	1/1
Non-executive Director:		
Mr. Wu Tielong	8/9	1/1
Independent Non-executive Directors:		
Mr. Lau Siu Ki, Kevin	9/9	1/1
Dr. Lin Jin Tong	9/9	1/1
Ms. Ng Yi Kum	9/9	1/1
Ms. Wong Lok Lam (Note 1)	N/A	N/A
Ms. Leung Hoi Wai (Note 2)	9/9	1/1

Notes:

(1) Ms. Wong Lok Lam was appointed as independent non-executive Director with effect from 24 November 2020. During the period from 24 November 2020 to 31 December 2020, no Board meeting and general meeting was held.

(2) Ms. Leung Hoi Wai resigned as independent non-executive Director with effect from 24 November 2020. During the period from 1 January 2020 to 23 November 2020, nine Board meetings and a general meeting were held.

BOARD FUNCTIONS

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

The Board is also responsible for performing the corporate governance duties as set out in Code Provision D.3.1. During the Current Year, Board meetings held to, inter alia, review the Company's policies and practices on corporate governance; review and monitor the training and continuous professional development of Directors and senior management of the Group; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and review and monitor the compliance with the Code Provisions and approve the disclosures in the corporate governance report as contained in the Company's 2019 annual report.

MANAGEMENT FUNCTIONS

In general, specific tasks that the Board delegates to the Group's management include the preparation of annual and interim consolidated 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 risk management and 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, Mr. Fok Tung Ling, Mr. Zhang Yue Jun, Mr. Xu Huijun, Mr. Chang Fei Fu, Mr. Bu Binlong, Ms. Huo Xinru, Mr. Wu Tielong, Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam attended training session(s) provided by the Company and/or other professional institutions to develop and refresh their knowledge and skills to act as Directors, and have provided records of the training they received to the Company.

Apart from the above, Ms. Wong Lok Lam, an independent non-executive Director appointed on 24 November 2020, has received a comprehensive, formal and tailored induction on appointment to ensure that she has a proper understanding of the operations and business of the Group and is fully aware of her responsibilities in the Company and the Company's business and governance policies.

COMPANY SECRETARY

Mr. Chan Siu Man, the company secretary of the Company (the "Company Secretary"), has taken 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 different Directors.

As at the date of this annual report, Mr. Fok Tung Ling is the chairman of the Board, Mr. Zhang Yue Jun is the vice chairman of the Board and Mr. Xu Huijun is the 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, vice chairman is responsible for assisting the chairman in performing the latter's duties and responsibilities, also monitoring the implementation of the Company's strategies and the president acting 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.

NON-EXECUTIVE DIRECTORS

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

The chairman held a meeting with all independent non-executive Directors without the presence of other Directors during the Current Year.

REMUNERATION COMMITTEE

As at the date of this annual report, remuneration committee of the Company (the "Remuneration Committee") comprised four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam. 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 recommend the Board on the remuneration policy for all Directors and senior management of the Group; to review and recommend to the Board on the remuneration packages and any compensation arrangements made to the Directors and senior management of the Group; and to review the terms of service contracts or letters of appointment of Directors.

During the Current Year, there were three Remuneration Committee meetings held to, inter alia, review the remuneration package of the newly appointed independent non-executive Director; assess the performance of all Directors and senior management of the Group and review their remuneration packages; consider the award of shares of the share incentive scheme to Directors and senior management of the Group; and recommend to the Board. The remuneration of the Directors is subject to the Shareholders' approval at general meeting of the Company, other emoluments, including share options and awarded shares, are reviewed and recommended by the Remuneration Committee to the Board with reference to Directors' duties, responsibilities and performance within the Group, the Group's remuneration policy and the prevailing market conditions. Details of the remuneration payable to the Directors are set out in note 8 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

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

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

Details of the attendance at the Remuneration Committee meetings held during the Current Year are set out as follows:

Members of Remuneration Committee	Number of meetings attended/ Total number of meetings held
Mr. Lau Siu Ki, Kevin	3/3
Dr. Lin Jin Tong	3/3
Ms. Ng Yi Kum	3/3
Ms. Wong Lok Lam (Note 1)	N/A
Ms. Leung Hoi Wai (Note 2)	3/3

Notes:

(1) Ms. Wong Lok Lam was appointed as a member of the Remuneration Committee with effect from 24 November 2020. During the period from 24 November 2020 to 31 December 2020, no meeting was held.

(2) Ms. Leung Hoi Wai resigned as a member of the Remuneration Committee with effect from 24 November 2020. During the period from 1 January 2020 to 23 November 2020, three meetings were held.

NOMINATION COMMITTEE

As at the date of this annual report, nomination committee of the Company (the "Nomination Committee") comprised four independent non-executive Directors, being Dr. Lin Jin Tong, Mr. Lau Siu Ki, Kevin, Ms. Ng Yi Kum and Ms. Wong Lok Lam. The chairman of the Nomination Committee is Dr. Lin Jin Tong. 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 (the "Nomination Policy").

The key nomination criteria and principles of the Nomination Policy are as follows:

(i) review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, professional experience, skills and knowledge) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy with due regard to the board diversity policy (the "Board Diversity Policy") of the Company;

(ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; and

(iii) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

During the Current Year, there were two Nomination Committee meetings held to, inter alia, consider the resignation and appointment of independent non-executive Directors and re-election of Directors; review the structure, size and composition of the Board; assess the independence of the independent non-executive Directors and review the implementation and effectiveness of the Board Diversity Policy; and recommend to the Board.

SUMMARY OF BOARD DIVERSITY POLICY

The Board Diversity Policy aims to set out the approach to achieve diversity on the Board. The Company recognizes 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.

ASSESSMENT OF INDEPENDENCE

The Company received annual written confirmations of independence, having regard to the independence guidelines under Rule 3.13 of the Listing Rules, from each independent non-executive Director.

Consideration was given to the independence of Mr. Lau Siu Ki, Kevin, who has been serving on the Board for more than nine years, and Dr. Lin Jin Tong, who will have served more than nine years at the forthcoming annual general meeting. Both Mr. Lau Siu Ki, Kevin and Dr. Lin Jin Tong have never engaged in any executive management of the Group. Taking into consideration the independent nature of their roles and duties in the past years, the Board considers both Mr. Lau Siu Ki, Kevin and Dr. Lin Jin Tong to be independent under the Listing Rules despite their years of services with the Company.

After review and assessment, the Nomination Committee affirmed that all of the independent non-executive Directors continued to demonstrate strong independence in judgement and were free from any business or other relationships which could interfere with their ability to discharge their duties effectively, and they therefore all remained independent.

Details of the attendance at the Nomination Committee meetings held during the Current Year are set out as follows:

Members of Nomination Committee	Number of meetings attended/ Total number of meetings held
Dr. Lin Jin Tong	2/2
Mr. Lau Siu Ki, Kevin	2/2
Ms. Ng Yi Kum	2/2
Ms. Wong Lok Lam (Note 1)	N/A
Ms. Leung Hoi Wai (Note 2)	2/2

Notes:

(1) Ms. Wong Lok Lam was appointed as a member of the Nomination Committee with effect from 24 November 2020. During the period from 24 November 2020 to 31 December 2020, no meeting was held.

(2) Ms. Leung Hoi Wai resigned as a member of the Nomination Committee with effect from 24 November 2020. During the period from 1 January 2020 to 23 November 2020, two meetings were held.

AUDIT COMMITTEE

As at the date of this annual report, audit committee of the Company (the "Audit Committee") comprised four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam. 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 Group's consolidated financial statements, the Company's financial reporting system, risk management and internal control systems, the scope and nature of the external audit and matters concerning the engagement of external auditor.

During the Current Year, there were two Audit Committee meetings held to, inter alia, review the Group's consolidated financial statements such as interim results and annual results, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, risk management and internal control systems, the effectiveness of risk management and internal audit function and related issues, remuneration and engagement of external auditor; and recommend to the Board.

Details of the attendance at the Audit Committee meetings held during the Current Year are set out as follows:

Members of Audit Committee	Number of meetings attended/ Total number of meetings held
Mr. Lau Siu Ki, Kevin	2/2
Dr. Lin Jin Tong	2/2
Ms. Ng Yi Kum	2/2
Ms. Wong Lok Lam (Note 1)	N/A
Ms. Leung Hoi Wai (Note 2)	2/2

Notes:

(1) Ms. Wong Lok Lam was appointed as a member of the Audit Committee with effect from 24 November 2020. During the period from 24 November 2020 to 31 December 2020, no meeting was held.

(2) Ms. Leung Hoi Wai resigned as a member of the Audit Committee with effect from 24 November 2020. During the period from 1 January 2020 to 23 November 2020, two meetings were held.

AUDITOR'S REMUNERATION

The Company's external auditor for the Current Year is Ernst & Young. The Audit Committee is mandated to ensure continuing auditor's objectivity and safeguarding independence of the auditor. The Audit Committee considered and approved the engagement of Ernst & Young as the auditor 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 auditor for audit services amounted to HK$4,461,000; and non-audit services of tax review and other professional services amounted to HK$1,673,000 and HK$672,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated 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, internal audit and financial reporting functions and the responsibility of the preparation of the consolidated financial statements of the Group.

As at the date of this annual 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.

CORPORATE GOVERNANCE REPORT

A statement from the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section "Independent Auditor's Report" on pages 75 to 79 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than completely eliminate the risks of failure in operational systems. Covering all operation and management areas of the Company, the systems play a key role in risk management, which is significant to achieve the corporate objectives, ensuring good corporate practice and safeguarding the security of the Group's assets and Shareholders' interests.

The Group has implemented an effective internal control system to assess five internal control elements, namely the environment control, risk assessment, activities control, information and communication, and internal monitoring, which covers all material aspects of control, including financial control and reporting, operational and compliance controls, employee awareness as well as code of conduct, thereby ensuring the Group maintains sound risk management and internal control systems in compliance with the Code Provisions.

Responsible for evaluating and determining the nature and extent of the risks that the Group is willing to take in achieving its strategic objectives, the Board regularly reviews the Group's financial performance, operation, compliance mechanisms and risk management function through the Audit Committee, and assumes overall responsibility for maintaining and ensuring effective implementation of the Group's risk management and internal control, as well as reviewing their effectiveness in order to protect the interests of Shareholders and asset security.

According to the delegation of the Board, the management assists the Board to identify and assess various risks in main business areas through regular reports, meetings and other working mechanisms, so as to provide reasonable assurance for the effective implementation of operating procedures, protection of assets, proper maintenance of accounting records, compliance with appropriate laws and regulations, provision of reliable financial information to the management for publication purpose, as well as the identification and management of investment and business risks affecting the Group.

During the Current Year, with a view to adapting to internal and external changes such as global economic conditions, operating environment, regulatory requirements and business development, the Group continued to optimize risk management policies and human resources management policies, and made improvements in aspects such as organization structure and segregation of duties, risk management procedures, and enhancement of disclosure transparency. The Group also set up specific units and delegated personnel to undertake duties and follow handling practice in relation to risk control in various aspects, including credit, strategies, laws, compliance, markets and business operations, in an effort to identify, evaluate and manage various major risks in a timely manner. Through comprehensively monitoring the implementation of its development strategies, business plans and financial budgets, the Group achieved more standardized and efficient business operations, as well as proper and timely information communication to accommodate changes in the external environment and the restructuring of the Group's organization structure, at the same time strengthening its capability in risk prevention and opportunity identification on a continuous basis.

During the Current Year, the Group identified, evaluated and responded actively to material risks, including strategy selection risk, significant investment risk, interests and exchange risk, account receivable risk and process management risk, thereby optimizing organization structure and segregation of duties, formulating effective control procedures and proposing feasible solutions.

The Group specified the procedure of processing and publishing inside information and internal controls as required under the Listing Rules and the Securities and Futures Ordinance, the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission and the Inside Information Disclosure Policy adopted by the Group. During the Current Year, neither the Group nor any relevant person had involved in any regulatory measure enforced or penalty imposed by regulatory authority for suspected insider dealing.

The internal audit department oversees the Group's procedures and systems of risk management and internal control, and submits reports and advices to the management and the Audit Committee. During the Current Year, the internal audit department has carried out audit in areas identified as of high or medium significance, put forward recommendations to relevant business departments and followed up on the effectiveness of the recommended measures. In addition, the internal audit department has further specified the objectives of anti-fraud programs and enhanced the promotion of anti-fraud culture, while violation of the employee manual and laws and regulations would be severely punished, thereby ensuring a healthy, stable and long term development of the Group and its employees.

During the Current Year, the legal department identified new risks exposure in response to changes in the Group's operating environment and proposed an optimized design plan for the existing compliance management system with an emphasis on control of significant compliance risk; the finance department kept overseeing finance risks on a routine basis; and the external auditor submitted its recommendations regarding risk management and internal control to the management of the Group in the annual audit.

The Audit Committee reviewed the reports submitted by the risk management and internal audit departments and reported findings semi-annually to the Board on such reviews. For the Current Year, the Board has reviewed the effectiveness of the Group's risk management and internal control systems and is satisfied that the Group's risk management and internal control systems are effective and adequate.

SHAREHOLDERS' RIGHTS

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, 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 months after the deposit of such requisition. If within 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 (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 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 propose new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) as at the date of this annual report. However, pursuant to the Articles (as amended from time to time), Shareholders who wish to put forward proposals at general meetings may achieve so by convening an extraordinary general meeting following the procedures set out in the section "Procedures by which Shareholders May Convene An Extraordinary General Meeting" 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 endeavors 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 road shows 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.

Due to the lockdown policy brought by the sudden outbreak of coronavirus disease 2019 in early 2020, the Group's investor relations activities were held via teleconference. During the Current Year, the Group's senior management attended about 100 investor meetings. This provided the investment community with an opportunity to understand the business of the Group better. As a result of various investor relations activities undertaken, as at the end of the Current Year, 6 securities companies provided research coverage on the Group.

Key Investor Relations Events in 2020:

Date		Event
January	:	Annual Investment Strategy Conferences (organized by BAML, DBS and UOB respectively)
	:	Plant Visits for investors, fund managers and analysts (target at overseas investors)
March	:	2019 Virtual Annual Results Announcement (Press Conference and Investor Presentation) and Virtual post-results road shows in Hong Kong (arranged by various brokerage firms)
April	:	Virtual post-results road shows in Asia Pacific and Mainland China (organized by Credit Suisse, Everbright Securities, Guosen Securities and others respectively)
May	:	2020 Annual General Meeting
	:	Greater China Technology Virtual Investment Strategy Conference 2020 (organized by Nomura)
	:	High-Tech Corporate Virtual Investor Forum 2020 (organized by Citi)
	:	Greater China 5G Technology Corporate Virtual Investment Strategy Conference (organized by CICC)
	:	Virtual post-results road shows in Asia Pacific and Mainland China (organized by Industrial Securities, Zhongtai Securities and others respectively)
June	:	Virtual Interim Investment Strategy Conferences (organized by Industrial Securities, CMBI, DBS, CGS-CIMB and Essence Securities respectively)
July	:	Virtual Interim Investment Strategy Conferences (organized by Everbright Securities)
August	:	2020 Virtual Interim Results Announcement (Press Conference and Investor Presentation) and Virtual post-results road-shows in Hong Kong (arranged by various brokerage firms)
September	:	Teleconference with investors, fund managers and analysts (organized by CICC)
October	:	Teleconference with investors, fund managers and analysts (organized by First Shanghai)
November	:	Goldman Sachs Virtual China Investment Conference 2020 (organized by Goldman Sachs)
	:	J.P. Morgan's Global TMT Virtual Conference 2020 (organized by J.P. Morgan)
December	:	High-Tech Corporate Virtual Investment Strategy Conference 2020 (organized by Citi)
	:	Virtual Expert Seminar on Open RAN Development (organized by J.P. Morgan)
	:	CGS-CIMB Virtual Small Cap Corporate Day 2020 (organized by CGS-CIMB)

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
25 March 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. SUMMARY AND SCOPE OF REPORT

This report is compiled under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The disclosure in this report has objectively, fairly and truly reflected the work achievements and practices regarding the environmental and social matters of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in 2020. This report adopts a consistent information statistical method where the scope of information statistics in 2020 is consistent with that of 2019.

The Group recognizes "Connecting the World to Promote the Progress of Human Civilization" as corporate vision and "Achieving Innovation and Development in the Information Communications Technology Areas to Provide Customers with Excellent Communications and Information Solutions and Services" as corporate mission. Considering its customers, employees, shareholders and the government as the basic elements to achieve business core values, the Group is devoted to creating ideal values for customers, co-developing better life quality as well as leading the way and giving back to society. By adhering to the long-held core culture of "Pursuing Perfection and Harmony", the Group pays close attention to policy and market changes to effectively control risks, and is committed to integrating sustainable development and social responsibility into its corporate culture.

This report is designed to convey the Group's influence, policies and corresponding measures on environmental, social and governance ("ESG") aspects to relevant individuals in various sectors of the community.

This report covers the performance indicators from 1 January 2020 to 31 December 2020. The indicators related to environment are mainly sourced from Comba Telecom's headquarter and research and development (the "R&D") base in Guangzhou Science City, the manufacturing base in Guangzhou Development Zone, the manufacturing base in Guangzhou Knowledge City, head office in Hong Kong and the main sales offices at home and abroad as their profit contributions to the Group are fairly representative and important.

II. ESG RESPONSIBILITY MANAGEMENT

The board of directors (the "Board") of the Company assumes the overall responsibility on the Company's management tactics and reports on ESG as well as for the identification, assessment and determination of the risks of the Company concerning ESG, and ensures that the Company has established a proper and effective system of ESG risk management and internal control.

The Company reported its progress in fulfilling the annual safety production goals, and reviewed the result based on its annual responsibility goals so as to conduct planning for safety management for the following year on the basis of the fulfillment status in 2020. Monthly reports on management and control of energy, as well as inspection of production safety have been prepared, while management and control responsibilities have been assigned to individuals, with a view to raising and cultivating awareness of energy conservation and production safety amongst all staff. In addition to providing supervision and guidance, the Board regularly listens to management teams' reports on production safety, operation and management, internal control and corporate social responsibility. The Board assesses and ranks risk hierarchies, taking consideration of, among others, the impacts on our corporate strategies, policies, procedures and commitment, impacts on the Company's competitive edges and management excellence, and current and future financial impacts on the Company. Major considerations of external stakeholders conducting materiality assessment include impacts on the Company's evaluation and decision-making, and on the interests of themselves. The Company has established an ESG work leadership group which is responsible for making decisions on major issues during the process of the guideline implementation and conducting assessment and providing feedbacks on the effectiveness of its management. The management of major risks such as production safety, employee health, energy conservation and environmental protection, intellectual property rights, fraud risk, internal control and corporate culture has already been incorporated into the daily work and comprehensively ensured the effectiveness and applicability of the Company's ESG management.

The Group ensured the proactive and proper implementation of control measures for safety risks with a view to ensuring "six zeroes" in production safety, namely zero fatal accident of staff, zero fire accident above general level, zero accident on environmental protection, zero accident on occupational diseases, zero widespread contagious disease and zero incident of mass poisoning. The loss caused by various production safety incidents during the year accounted for less than 1/10,000 of the Group's total production.

As a listed company, the Group has been subject to regulation by securities regulatory authorities and supervision from its vast shareholders. The Group enhances its corporate governance system, which comprises the shareholders' meetings, the Board and the management teams. It has established a mechanism with clear terms of reference among decision authority, supervisory authority and operation authority to enable each of them to perform their respective responsibilities subject to the balance and coordination among the same parties, so that the right of the shareholders' meeting and the Board to make decisions can be effectively exercised to ensure the management team can deal with operational issues in an effective and regulatory way. The Company will resolutely pursue a safe, green, effective and sustainable development. Based on the investigation on the environment systems, the Company consolidates the sustainable development dimensions in relation to social and corporate governance, at the same time comprehensively identifies and evaluates corporate risks and responsibilities or opportunities, in a bid to ensure the compliance with the responsible investment principle and generate effective and sustainable returns for its investors and stakeholders. It has become more important than ever to maintain good ESG practices in a business model. We aim to reduce the impact of global warming and improve air quality as well as being committed to instilling the awareness of resource conservation by reducing the discharge of substantial amount of wastewater and exhaust gas generated during operation. The Group also strives to incorporate the concept of low carbon and environmental protection into work and daily life intensively with a view to jointly building a greener and healthier environment.

III. COMMUNICATIONS WITH STAKEHOLDERS AND IMPORTANCE ASSESSMENT

The Group attaches great importance to communicate with all parties of the stakeholders by learning their varying expectations of the Group's ESG aspects through a variety of different channels, as well as by representing in this report its efforts put in issues that are of concern to stakeholders, in a bid to enhance the Group's transparency and stakeholders' confidence in its promotion of sustainable development.

Key Stakeholders	Main Communication Channels	Main Contents Covered
Shareholders/ Investors	General meeting, results presentation, non-deal roadshow, institutional investigation conferences, regular report, press announcement, telephone, email, website, the Company's platform on WeChat	Operating results and financial performance, situation and progress of the Company's products/technology/R&D/ business, future development prospect and strategy, corporate governance and social responsibility, protection of investors' benefits
Customers	Daily business dealings, progress meeting, technology exchange meeting, customer exchange forums	Quality of product and service, level of technology, customer feedbacks, demand from potential customers
Employees	Training programs, intranet and the Company's platform on WeChat, employee engagement surveys, staff meetings, employees' group activities, regular performance assessment	Development strategy and deployment of the Company, efficiency and effectiveness of all processes through R&D, manufacturing and sales to services, staff reasonable proposals, occupational health and safety, development of and reward to staff
Suppliers	On-site inspection and evaluation, daily business dealings, exchanges on project progress	Corporate reputation and recognition, scale of enterprise and delivery capability, successful experiences of peers, requirements of environmental and social responsibility, staff cultivation and reward
Regulatory authorities	Communication document, government hotline, face-to-face meeting	Integrity management, legality and compliance, joint development of economy, environment and the society, amendments to government policies, promulgation of preferential policies
Communities	Community activities, public welfare activities	Active participation of enterprises, contribution to the community, sustainable development of enterprises

IV. ENVIRONMENTAL PROTECTION AND RESOURCE UTILIZATION

The Group has been committed to achieving the sustainable development goal of environmental protection and energy saving. By implementing the Environmental and Quality Management System to manage the environment in a systematic manner, the Group strives to deliver the development strategy of balancing environment, society and economy. The Group has adopted the management concept of life cycle in all the business activities worldwide to minimize adverse effect on environment while producing and offering services, perform its compliance obligations and enhance environmental performance, thus contributing to the better prevention of environment pollution and the sustainable development of society.

(I) EMISSIONS

To implement relevant laws and regulations promulgated by the People's Republic of China ("PRC") such as Environmental Protection Law (《環境保護法》), the Law on the Prevention and Control of Air Pollution (《大氣污染防治法》), the Law on the Prevention and Control of Water Pollution (《水污染防治法》), the Group sets a goal of environmental management to achieve pollution reduction and emission control and strictly monitor waste discharge during the course of production by setting up ISO14001 Environmental Management System and carrying out environmental control procedures as well as environmental monitoring and measurement control procedures pursuant to the working guideline of "standardizing the works of environmental management, taking precaution as the main task, fulfilling regulation requirement, satisfying the standards of emission to make sure that it is under control and continuing to save energy and reduce consumption", with the aim to ensure the management and control of pollution at source.

The Group is committed to achieving environmental and social sustainability in its daily operations. In terms of environmental aspects of the 2020 sustainable development goal, we ensured zero fine in exhaust gas emission. Designated dumping areas in each production base segregated wastes by licensed waste collectors and the garbage in the bases was strictly sorted and recycled.

During production process of the Group, there is no emission of industrial wastewater, except for little air contaminant discharged by its administrative cars and standby generating sets. Wastes in each production area are discharged after treatment in accordance with the approved requirements based on the evaluation on the impact on the environment and the production areas shall perform annual review to ensure legal and compliant emission of exhaust gas. All the toxic waste generated by the Group, including batteries, bulbs and coolant oil, will be conducted professional recovery and processing by qualified waste recovery and processing companies. The Group has entered into contracts for hazardous waste treatment with companies that have obtained national qualification for hazardous waste treatment to carry out regular waste disposal. The Group has also signed treatment orders for hazardous wastes to be regularly reported on the government website for reporting hazardous wastes. Non-hazardous waste mainly includes domestic waste generating from daily office works and canteen of the Company, which has been treated in strict compliance with the sorting principle. Raw material wastes such as vegetables, roots and animal offal should be treated as domestic wastes; swills should be disposed into swill buckets as required; canteen garbage should be dumped into the garbage pool in a centralized manner and dumping at will is prohibited. Indirect emissions from external production of electricity and employees' business trips are the major source of the Group's greenhouse gas emission. In 2020, the equivalent amount of carbon dioxide (CO_2) emission for sales revenue per ten thousand was 0.058 tonnes. The emission density of greenhouse gas increased comparing with that of 2019. The increase in hazardous waste was mainly caused by used coolant oil. Since historical data has not been sorted out from the data of the previous year, the data of this part is not available.

In 2020, the Group continued to optimize solutions and scope for using administrative cars. Administrative cars can only be used for important corporate business entertainments. The fleet arrangements during daily operation shall be reasonable and user-friendly to avoid unnecessary car rent. For non-essential business, staff are encouraged to take public transport or choose ride-hailing services via more affordable third party platforms. The Group also consolidated the frequency and route of the Company's shuttle buses for many times based on the actual situation. The Group has carried out regular supervision over and assessment of the service quality of the outsourcing service companies, enhanced the degree of informationization of its documents, optimized offline working procedures, formulated online working procedures to encourage paperless office work so as to reduce paper consumption while printing, at the same time conscientiously implementing the relevant PRC laws and regulations and strictly implementing waste sorting system, thereby effectively controlling emission of pollution.

Emissions		Unit	2020	2019	Comparison
Air contaminant	NOx	tonne	0.387	0.546	29.04%↓
	SOx	tonne	0.003	0.002	46.11%↑
	PM	tonne	0.023	0.033	28.79%↓
Waste	Household wastewater	tonne	127,155	119,749	6.19%↑
	Non-hazardous wastes	tonne	410	291	40.70%↑
	Hazardous wastes	tonne	31	2	1,749.37%↑
Greenhouse gas emission		tonne of equivalent amount of CO_2	29,204	29,273	0.30%↓
Direct greenhouse gas emission			1,007	1,673	39.83%↓
Energy indirect greenhouse gas emission			20,692	17,150	20.45%↑
Other indirect greenhouse gas emission			7,506	10,450	28.17%↓
Annual sales revenue in total		ten thousand HK$	505,884	577,992	12.48%↓
Emission density of greenhouse gas		tonne/ten thousand HK$	0.058	0.051	13.99%↑

Notes:

1. Greenhouse gas emissions are calculated based on, amongst others, EMFAC-HK Vehicle Emission Calculation Model issued by The Hong Kong Environmental Protection Department and the MOBILE6. Particulate Emission Factor released by the United States Environmental Protection Agency. Direct greenhouse gas emissions (scope 1) include the greenhouse gas emissions arising from using petrol and diesel. Indirect energy greenhouse gas emissions (scope 2) represent such emissions resulted from internal consumption of electricity, heating, refrigeration and steam within the Company. Scope 3 covers all other indirect greenhouse gas emissions generated outside of the Company, including emissions from wastepaper, sewage treatment and business trips of employees.

2. The total greenhouse gas emissions are the sum of the direct greenhouse gas emissions (scope 1), indirect greenhouse gas emissions (scope 2) and other indirect greenhouse gas emissions (scope 3).

3. The volume of sewage discharge is calculated according to the amount of water used. The sewage discharge coefficient is based on National Standard for Urban Drainage Works Planning Specification of the People's Republic of China (《中華人民共和國國家標準城市排水工程規劃規範》) and relevant documents of the National Bureau of Statistics of the PRC.

4. The volume of non-hazardous waste emission is measured based on the per capita household waste output coefficient as specified in the guidance released by the State Council of the PRC.

(II) RESOURCE UTILIZATION

The Group takes a careful consideration of environment factors throughout the life cycle of its products and services to provide its products with the characteristics of energy and natural resource saving and non-pollution in each procedure of R&D, production, sale, transportation, utilization and abandonment. Manufacturing base in Guangzhou Development Zone has been certified by the Green Manufacturing System (綠色製造體系) since 2018. The Company effectively manages the water consumption and waste water treatment to reduce environment pollution, actively promotes the concept of water conservation through publicity and educational activities, energy conservation column on the Company's WeChat account and regular reporting and posting of wasting behaviours. To save water resources, the Group also sets water usage and conservation targets, striving to lower the usage by 6% year-on-year. The Group did not encounter any difficulties in seeking appropriate water sources. The Group also increases the frequency of daily inspection and perform around-the-clock regular and non-regular inspections on power and water utilization in each floor and each department of the base; maintains proper inspection records and publicly criticizes the departments with behaviours of wasting; reduces the utilization of hazardous and toxic substances in each procedure, proactively seeks, develops and uses new environmental technologies and materials and encourages recycling of all materials, while for resource and energy consumption, the Group promotes active application of energy-efficient products, equipment and techniques to reduce energy consumption.

During the year, the Group continued to optimize and reform its product packaging. The Group prioritized the adoption of environment-friendly technologies in the construction of new projects, during which an inspection report shall be submitted regarding the materials used so that all materials can meet national requirements for environmental protection and will not cause contamination to the surrounding environment when used. The Group also reduced the use of packaging accessories and packaging materials, at the same time planting more trees in the Knowledge City. During the year, the Group established 5G workshops by expanding the existing workshops and added production equipment with flow processes for certain production lines, resulting in an increase in power consumption but a decrease in water consumption.

	2020			2019		
Type of energy	Total amount	Unit	Density (Unit/ ten thousand HK$)	Total amount	Unit	Density (Unit/ ten thousand HK$)
Electricity	26,637,285	kWh	52.65	23,905,011	kWh	41.35
Municipal water	332,436	cubic meter	0.65	533,430	cubic meter	0.92
Liquefied petroleum gas	180	kg	0.0004	434	kg	0.0008

Type of Packing material	Unit	Consumption in 2020	Consumption in 2019	Comparison
Paper boxes and paperboards	tonne	1,434	2,489	42.40%↓
Wooden boxes	tonne	660	616	7.09%↑
Packing accessories	tonne	352	635	44.55%↓
Straps	tonne	113	112	0.91%↑
Other packing materials	tonne	277	383	27.59%↓
Total packing materials	tonne	2,836	4,235	33.04%↓
Consumption of packing materials per ten thousand HK$ sales revenue	tonne/ten thousand HK$	0.006	0.007	23.58%↓

Notes:

1. Packaging accessories kit include assembly materials, plastic bags, labels and packaging accessories (discs, manuals and certificates)

2. Packaging materials include straps and carton-sealing tapes

3. Packaging boxes include paper boxes and wooden boxes

(III) ENVIRONMENT AND NATURAL RESOURCES

The Group is proactive in enhancing staff awareness of and responsibility towards environmental protection. All the employees in each of its branches worldwide are required to comply with local laws and regulations in respect of environment, safety and health. In the absence of local laws and regulations, they are encouraged to provide assistance in solving environmental issues as possible as they can under relevant standards of the Group.

The Group has set up scientific goals in environment and energy consumption, and continuously evaluates, improves and consolidates the synergy among the Group's operating activities, products and the environment. In addition, the Group communicates environmental information with stakeholders in a timely manner. Furthermore, the Group also focuses on environmental factors in selecting and managing suppliers and outsourcers.

The Group has reduced its negative impact on the environment and natural resources by pursuing high quality products, including the reduction of repair rate of products and reported damage rate of machines. The Group has implemented flexible layout and upgraded its intelligent manufacturing equipment in its production workshops during the reporting period. All pieces of equipment have been connected to optimize the intelligent deployment in the life cycle of products so as to improve operation efficiency of products, reduce the repair rate in the market, and increase the useful life of machines.

(IV) CLIMATE CHANGE

Mainland China, Hong Kong and other regions in PRC and abroad where the Group's major sales offices located pay attention to major climate policies and comply with local laws and regulations related to environmental protection. Currently climate factors have no material impact on the Company's production and operation. The Company will closely monitor the impact of extreme weather conditions, such as typhoons, strong wind, extreme cold and humidity, on the production and logistic processes, make corresponding predictions and take preventive measures such as upgrading and optimizing environmental protection products and enhancing product performance so as to reduce the impact of climate change on product performance and direct operation.

V. EMPLOYMENT AND LABOUR PRACTICES

(I) EMPLOYMENT

The Group has standardized labour management in accordance with national laws and regulations. It also strictly regulates the employment system including recruitment, resignation, promotion, staff salary and benefits, and resolutely eliminates the employment of child labour and forced labour.

The Group considers its employees as an important resource, attaches much importance to safeguarding their interests, offers competitive remuneration packages and pays the relevant insurance. The Group established corporate annuity mechanism and its employees are entitled to national statutory holidays. Overtime is voluntary and employees are compensated for overtime in accordance with local laws. Employees are also given an appropriate number of leaves depending on their entitlement under their respective employment contracts with the Group and in accordance with the relevant laws and regulations.

As of 31 December 2020, the Group had 5,747 staffs. The Group is committed to ensuring equal employment opportunities and protecting the rights of female employees. For employment policy, the Group eliminates gender discrimination and provides female employees with maternity leave according to the local laws. Its employees are located primarily in the PRC with certain employees located in the other districts such as Europe and Southeast Asia.

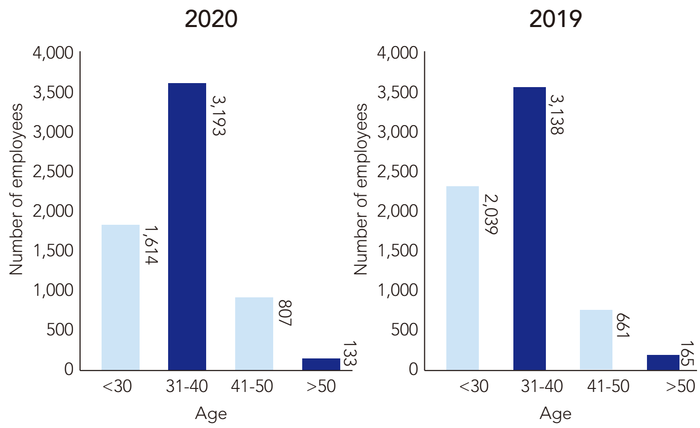
The Group has always attached importance to the competitiveness of employees' remuneration. In 2020, it took proactive measures and made adjustment to the remuneration of core positions in marketing, technological R&D and others, with a view to enhancing employee satisfaction of remuneration. Meanwhile, the Group has actively enhanced satisfaction of employees with each administrative service and constantly improved both staff accommodation conditions and quality of its canteen, with an aim to promote its corporate culture, enrich employee's life and transmit positive energy.

During the reporting period, the Group has complied with relevant laws and regulations that have a significant impact on the Group relating to employment.

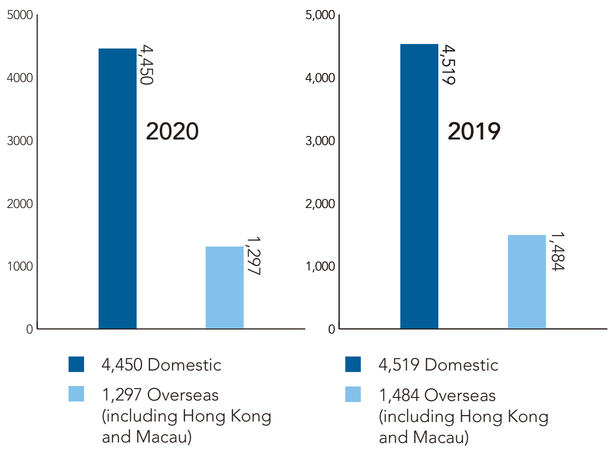
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Total number of employees

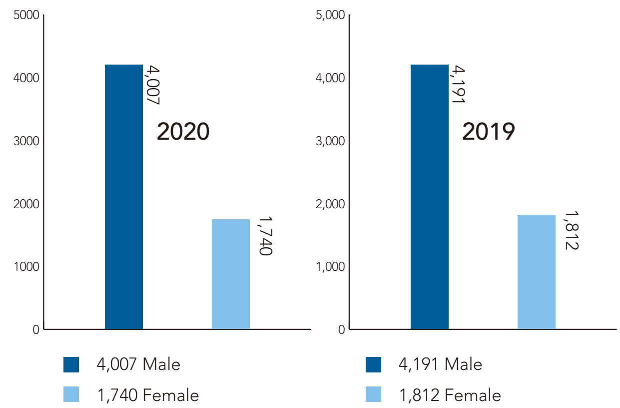
By age



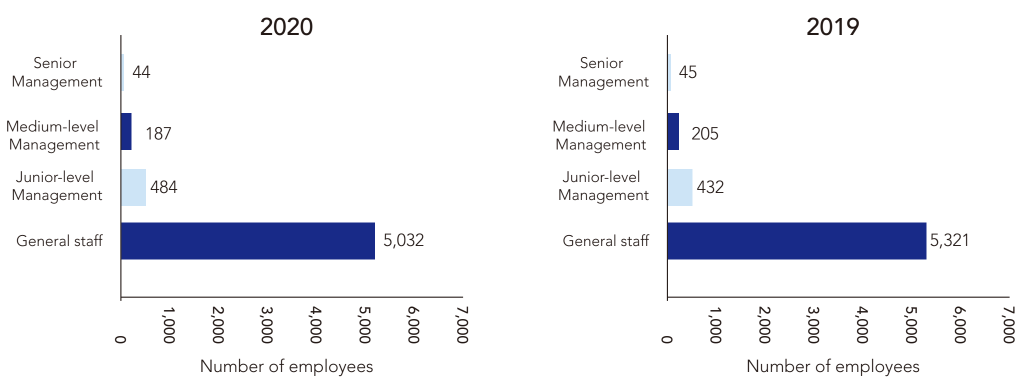
By geographic location



By gender

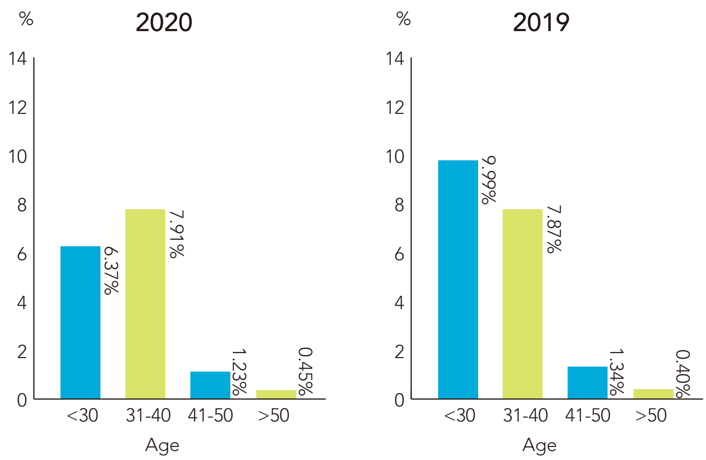


By position

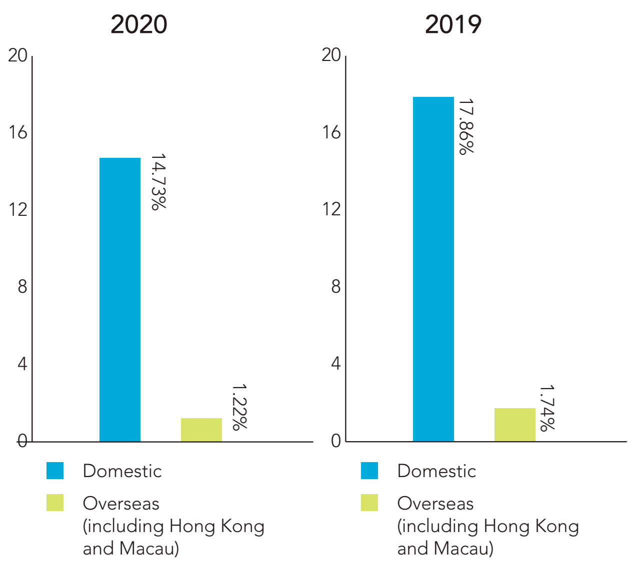


Turnover rate of employees

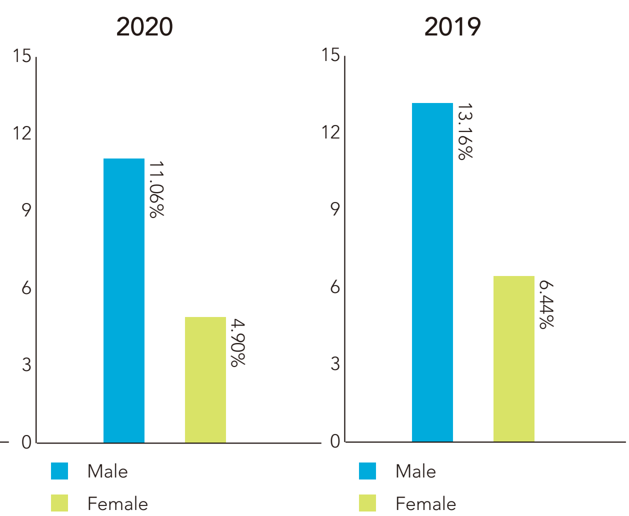
By age



By geographic location



By gender



(II) HEALTH AND SAFETY

In order to protect environmental and personal health and safety, pursue social benefits and ensure social interests, the Group has established the Occupational Health and Safety System, and SA8000 Social Responsibility System so as to protect employees' health and safety. Such systems are operated in combination with quality management system to deliver the Group's commitment to the community and its employees.

There were no employees died because of their work in the Group between 2018 and 2020 and the lost days caused by work-related injury were 7 days, representing a significant decrease as compared with 42 days in 2019.

The Group has set up the "Safety First, Prevention Dominance and Comprehensive Governance" guidelines and paid close attention to work safety.

1. Establishing safety management policies and procedures: The Group has established safety management policies such as the Management Procedure of Safety and Environmental Protection for Construction Project (《建設專案安全和環境保護管理程序》), the Fire Control and Safety Management Regulations (《消防安全管理規定》), the Safety Production Responsibility System (《安全生產責任制》), the Labour Protection Standards of Production Position (《生產崗位勞動保護標準》) and the Transportation Safety Management Regulations (《運輸安全管理規定》). At the same time, it has refined various safety management policies and safe operating procedures of all levels. Pursuant to which, the person in charge is required to sign the Safety Production Responsibility Paper (《安全生產責任書》), and all the division principals are directly responsible for safety performance of their respective areas.

2. Continuing to put efforts to improve environmental safety: The Group creates a fine and safe working environment for its employees, provides them with comfortable accommodation, formulates the staff holiday system and the periodical medical check system, offers job skills training and establishes a labour union. Besides, the Group also attaches much value to staff care, health and safety as well as boosting their sense of belonging. With a lot of funds invested, apparatuses and equipment devoted, the Group keeps improving working environment and protects the personal safety and health of its employees with special positions equipped with corresponding appliances for labour protection. Also, its employees' safety awareness and self-defense capability are strengthened through safety training.

3. The Company continues to strengthen the publicity and promote training with regard to health and safety of all staff, with a view to developing a culture of health and safety, thereby promoting general improvement of health and safety awareness of all staff, so as to create a good atmosphere of production safety. Carrying out activities such as drills and inspections: A safety manual for production operation is formulated for staff compliance. The Group carries out fire drills every year to further enhance its employees' emergency response capability. Also, a fire emergency team, which is responsible for urgent evacuation of personnel in emergency, is established to protect its employees' life and property security. The Group has established special safety inspection system which covers a variety of measures, including daily safety check, seasonal safety check, and safety check before and after holidays. The Group was repeatedly awarded as "Advanced Enterprise in Production Safety (安全生產先進單位)" and "Enterprise with Qualified Work Safety Standardizations (安全生產標準化達標企業)" in Guangzhou City.

During the reporting period, the Group has complied with relevant laws and regulations that have a significant impact on the Group relating to health and safety.

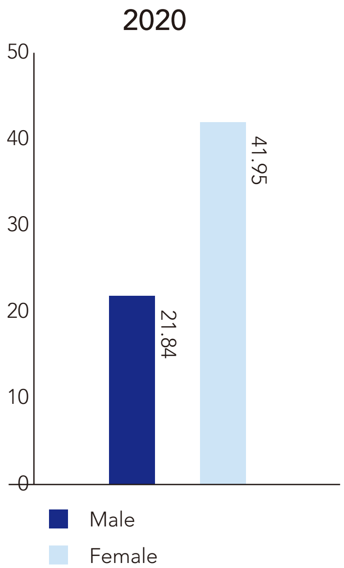
(III) DEVELOPMENT AND TRAINING

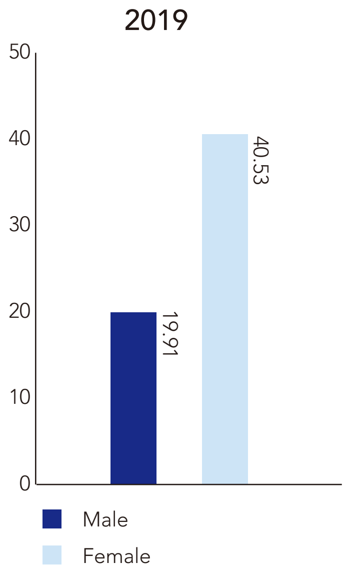
The Group is committed to the career development of its employees and offers dual promotion paths for them, namely "promotion for management functions" and "promotion for technical expertise". The Group implements a system that links its employees' remuneration and promotion to their working experience, capabilities and performance, which incentivizes their proactivity. All employees of the Group must receive training every year and the percentage of its trained employees is 100%.

Average hours of each employee completing its training

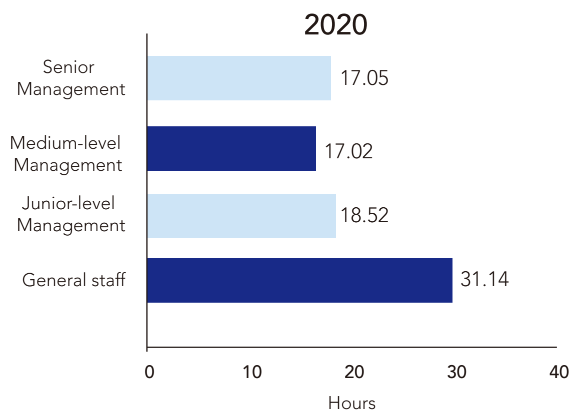
Breakdown of employees

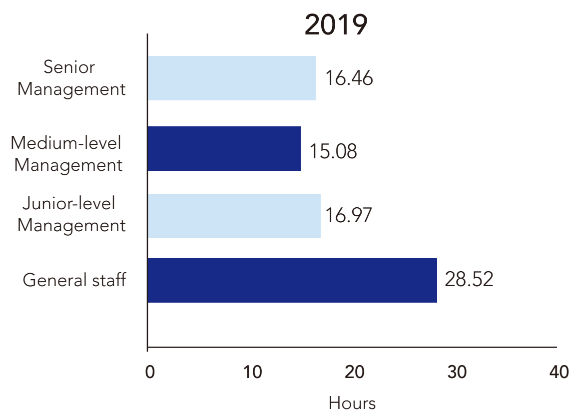
Gender





Position





The Group has been focusing on the cultivation of talents. On such basis, the Group advocates the talent concept of "promote the outstanding among flourishing talents" and establishes an effective and systematic talent training system, which is designed to enhance its employees' knowledge, capability and skills. In view of the Group's demand for talents arising from its development goals, the Group ensures effective implementation of training from the five aspects of training regulation system, training program system, training instructor system, training material system and training operation system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. **Orientation Training for New Employees**

   In order to help its new employees to adapt to their posts as soon as possible, the Group offer well-established orientation trainings, covering trainings on corporate culture, rules and regulations, organization management, quality control system, process and IT know-how and the application of office software, information security, product and professional knowledge, rotation in production system, internship on the marketing and construction sites, occupational health and safety, site visit, team outward bound and other aspects.

2. **Professionalizing Training Camp for Undergraduates**

   For the purpose of facilitating the undergraduates recruited from university to successfully transform from a student to an employee, the Group has specially organized the professionalizing training camp for undergraduates. It is targeted to deepen their perception of professionalization and their understanding about the Group by way of military training, team outward bound training, group discussion, completing task and challenge, in-class lectures and group activities.

3. **Leadership Enhancement Training for Management**

   Management serves as the core strength in the operation and management of a corporate. Therefore, the Group continuously organizes a series of management trainings for all its management in a bid to adaptively enhance its management standard and operation capacity. The structured programs and their matching intensive trainings not only strengthen the leadership and management skills of its management team, but also cultivate their international perspective and create the cultural atmosphere to keep on learning, which conforms with the demand for future development of the Group. Meanwhile, such trainings also boost its management's self-management skills, promote their career development in a more systematic way and better motivate and retain high-profile managers.

   The College of Comba Leader Management (京信幹部管理學院) which was established in 2016 has initiated its systematic cultivation of management. It focuses on the combination of training and practice to comprehensively enhance the leaders' management capability through mechanisms including in-class training, action learning and instructor coaching. The College of Comba Leader Management continued to deepen its development in 2020, forming its learning, growth and development system for leaders based on qualification of appointment of leaders, its instructor team based on senior–, medium–, and junior level management and external practice instructors, its system for assessing effectiveness of training and cultivation based on a four-level assessment model, and its appointment accreditation system based on four aspects including occupational ethics, basic conditions and necessary knowledge, duty discharge and capability.

4. **Establishment of the Internal Lecturers Team**

   The Group regularly organizes skills upgrading trainings and certification works for its internal lecturers in order to build up the team of internal lecturers, improve their teaching skills, broaden their horizons and promote the accumulation and inheritance of its corporate culture. In addition, the Group invites industry experts to provide its internal lecturers with full set guidance on curriculum development, teaching and presentation. Furthermore, the Group builds its branded lecturer team and delivers a series of excellent courses through after-class practices and getting certification and approval of internal lecturers.

5. **Comba Colorful Classes**

The Group specially sets up the "Comba Colorful Classes (京彩課堂)", an online and offline learning platform, for all its staff, to create an active and strong atmosphere of trainings and satisfy their diversified demands for training. The "Comba Colorful Classes" feature its internal lecturers' branded courses, combined with the introduction of external general courses. Also, it integrates training into life and pays close attention to employees' concerns. It also dedicates to offer financial knowledge to all the staff of the Company while enhancing the professional level of its financial employees through "Durian Classes", a learning platform focusing on financial expertise.

6. **E-Learning Platform**

In order to further improve the efficiency of training and diversify the forms of training, the Group has established E-Learning online learning platform since 2018 and continued to provide online learning programmes to its employees in 2020, in order to break the limitation of traditional training for departments and employees and ensure the consistency and efficiency of learning information and through which, the employees may always use their fragmented spare time to study in a systematic manner. Meanwhile, the Group facilitates the development and improvement of its training system and develop the Group into a learning-oriented organization.

(IV) LABOUR STANDARDS

The Group strictly implements relevant national and local laws and regulations on labour, pursuant to which, the Group undertakes to protect and respect its employees' rights and interests. Various subsidiaries carry out stringent management on recruitment and employment matters in compliance with the requirements under the Labour Law, the Labour Contract Law and the relevant laws and regulations of the PRC. The Group specifies the requirements and form of employment during recruitment process and conducts strict identification verification on the interviewee to make sure the age meets the minimum working age stipulated by the government. The Group will never hire a person with no identification or household registration proof. All employees can directly report to the human resource center through the employee suggestion box or union representatives. The union representatives are responsible for gathering and consolidating the feedbacks from employees, and verifying and investigating the relevant reports and feedbacks. Upon identifying the hiring of child labour, the human resource center shall immediately terminate the work duties of such child labour and assign designated personnel to arrange body check and escort the child back to his or her custodian at the expense of the Company. The Group establishes and maintains a non-forced labour control procedure. All staff of the Company shall be hired on a voluntary basis and any forced solicitation of staff to work for the Company is absolutely prohibited. Forced labour of hired staff by virtue of violence, threats or illegal restrictions on personal freedom is not allowed. If forced labour is identified in the Company, the United Labour Union will conduct investigations and verifications and urge the relevant management personnel to make rectifications and handle such matters. The Group also establishes and maintains a non-discrimination policy to make sure that all its employees are free from discrimination in recruitment and real-life practice such as promotion, receiving awards, gaining training opportunities and dismissal due to reasons including race, skin color, age, gender, ethnicity and disability, and are treated equally. Additionally, the Group also develops and maintains an effective grievance and complaint procedures to protect its employees' human rights and labour interests. As none of the cases of non-compliance have been found during 2020, no review has been conducted.

In accordance with labour laws and regulations in relevant countries and areas, employees are remunerated accordingly and provided with paid leaves, such as minimum wage, overtime compensation, statutory benefits, annual leave, marriage and funeral leave and maternity leave and compensations to retired employees are paid according to both national policies and regulations of the Company.

The Group respects and protects its employees' right of freedom, including freedom to be employed, freedom to resign, freedom to work overtime and freedom of action. The Group also respects and protects their rights to freedom of association and collective bargaining.

VI. OPERATION MANAGEMENT

(I) SUPPLY CHAIN MANAGEMENT

The Group has regulated the management of key processes of supply chain such as the placing of purchase order, the entering of contracts, product acceptance and the settlement by formulating proven purchase management system and establishing supplier acceptance, performance appraisal and exit mechanisms.

Locations of suppliers	2020	2019	Comparison
First-tier cities in the PRC	305	296	3%↑
Other cities in the PRC	216	270	20%↓
Overseas (including Hong Kong and Macau)	578	603	4%↓
Total	1,099	1,169	6%↓

The Group implements comprehensive certification of its newly introduced suppliers, which includes certification of sustainable development system. The Group regards sustainable development as one of the basic conditions and requirements in introducing suppliers, so as to assess suppliers' capability and level to comply with laws and regulations and sustainable development agreements. Suppliers are required to carry out business based on the fact that they have complied with applicable laws and regulations and met the requirements under sustainable development. The Group has entered into Agreement of Corporate Social Responsibility (《企業社會責任協定》) with material suppliers to constraint their code of conduct on integrity and law abiding, human rights, labour standards, health and safety, environment and prohibited commercial transactions, which is a necessity to carry out supplier certification, audit and performance assessment. During the year, more than 520 suppliers have signed the agreement.

The results of supplier performance assessment are utilized to supplier management to promote their sustained improvement. Suppliers are subject to annual comprehensive assessment based on various factors such as their business volume, daily assessment, quality performance, RoHS risk, environment and safety. Over 50 suppliers have been selected for on-site audit in 2020. Suppliers with excellent performance are entitled to increase purchase percentage on the same conditions and provided with priority of business cooperation. Suppliers with poor grade in performance assessment are provided with respective training and coaching, so as to drive suppliers to regard corporate social responsibility as a requirement of product and production, and integrate it into business decision making and daily operation, thus establishing effective management system.

The Group attaches great importance to the issue of conflict minerals and publicly states that it will not purchase and support the utilization of conflict minerals. For the acceptance of suppliers, all suppliers are required not to purchase conflict minerals and their sub-suppliers are also so required. The Group identifies the material lists and supplier lists relating to conflict minerals in accordance with OECD Guidelines for Due Diligence of Conflict Minerals (《OECD衝突礦物盡職調查指南》) and adopts conflict mineral questionnaire (CMRT Form) under Global Conflict Free Sourcing Initiative (全球無衝突採購倡議) (CFSI) to carry out due diligence and analysis on 90% of its suppliers every year.

The Group also attaches importance to environmental risks. For the acceptance of suppliers, the Group collects the RoHS testing qualified report from suppliers and formulates a period for the renewal of such report, in order to carry out regular monitoring on suppliers' results of RoHS testing, thereby promoting the use of environmentally-friendly materials by suppliers. Over 1,300 renewed RoHS testing qualified report are collected annually.

(II) PRODUCT RESPONSIBILITY

By adhering to its corporate value and core culture, persistently seeking higher working quality and constantly promoting improvement and innovation, the Group is committed to building its brand reputation featured with "excellence" and "value-for-money".

The Group has established the ISO9001 international quality management system and the TL9000 quality management system in telecommunication industry that have gained international accreditation, as well as an automatic product testing and reliability measurement system to secure its product quality and provide the customers with safe and reliable products and services. The specialty team of quality improvement solves key quality issues from its customers' feedbacks and its production.

The Group has established the RoHS (Restriction of Hazardous Substances in electrical and electronic equipment) management system, a product control system for hazardous and toxic substances. Under which, operational processes and regulations are developed to cover the whole life cycle of products, including the process of product R&D and design, purchase and supplier management, production and manufacturing procedure control, transportation and storage and product recall. All products produced by the Group have met the requirements under the Measures for Administration of the Pollution Control of Electronic Information Products (《電子信息產品污染控制管理辦法》) of the PRC, while all the products sold to the European Union have met the requirements under RoHS of the European Union.

The Group has implemented the procedures to manage intellectual properties, patents, trademarks, advertisements and publicity, with an aim to reduce such operation risks and respect others' intellectual properties.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has always insisted on independent innovation and attached great importance to possession of core technologies and in-house intellectual properties. The Group has taken "combination of attack and defense, innovation, appropriate layout and creation of values" as its development strategy of intellectual properties and stipulated systems such as Management Measures of Business Secrets (《商業秘密管理辦法》), Pilot Management Measures on Intellectual Properties for Exhibition (《展會知識產權管理辦法(試行)》), while revising Management Measures on Intellectual Properties (《知識產權管理辦法》), Management Measures on Patents (《專利管理辦法》) and Award Measures on Intellectual Properties (《知識產權獎勵辦法》) to regulate the utilization and protection of intellectual properties.

The Group has applied for patents since 2002. The application for patents has increased on an annual basis. As of the end of 2020, the Group has applied for over 4,800 patents in total at home and abroad and been granted over 2,400 patents, of which more than 3,000 patents have been applied for with respect of invention and more than 1,300 patents have been granted. The main trademark of the Group, "Comba", have been granted approval for registration in 46 countries and regions across the world.

The Group has received sufficient recognition from outside with respect of its achievement in intellectual properties. In 2020, the Group settled the first liability claim among PRC in respect of foreign infringement of intellectual properties.

In 2020, the Group was awarded various awards, including Golden Prize of the 7th Guangdong Patent Award (第七屆廣東專利金獎), Silver Prize of the 7th Guangdong Patent Award (第七屆廣東專利銀獎) and Golden Award of the 24th National Invention Exhibition (全國發明展覽會金獎). In addition, it was elected as the vice presidential units of the Association for Promoting Protection of Foreign Intellectual Properties of Guangdong Province (廣東省海外知識產權保護促進會) and the Association for Promoting Protection of Foreign Intellectual Properties of Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區知識產權促進會), respectively. Comba Network Systems Company Limited and Comba Telecom Systems (Guangzhou) Limited# have successfully passed the evaluation of 2020 national intellectual property demonstration enterprises while the two companies and Comba Telecom Technology (Guangzhou) Limited have passed the annual examination of certification of National Standardized Management of Intellectual Property.

The Group regards quality as its life. Hence, the Group has set up the largest microwave laboratory in the PRC and an automatic measurement and testing system that adopts domestically and internationally advanced measuring instruments and measuring process. The Group has built up a robust quality control team to take charge of incoming inspection, production process and delivery inspection, so as to make sure all its outgoing products meet its customers', corporate and national or international relevant standards and requirements. All its domestic products have conformed with and passed the "3C" certifications, namely the National Safety Certification (國家安全認證) (CCEE), the Imported Products Safety and Quality Licensing System (進口安全質量許可制度) (CCIB) and the Electro Magnetic Compatibility Certification in China (中國電磁相容認證) (EMC), while all its overseas products have conformed with and gained the certification of American Underwriters Laboratories (美國保險商試驗所) (UL).

The Group's products have undergone strict reliability tests in terms of high and low temperature, water spilling and electro-magnetic compatibility and the staff performing such tests have undergone restrict professional quality training and obtained relevant certificates. The Group carried out sample testing regarding the manufacturing process of products and products ready for final shipment underwent 100% testing and will only be shipped when the requirements are met. The Company has no sold or shipped products recalled for safety and health reasons. The Company has set up multiple online and offline channels for gathering customers' feedbacks. In 2020, the Company received 11 complaints regarding products and services and analyzed the reasons for customer complaint as well as identifying solutions and making improvements in accordance with the 8D management principle.

The Group is committed to ensuring the security of product throughout its whole life cycle. Upholding the principle of life cycle analysis, the Group strives to make sure that every process in life cycle is taking into consideration, which includes manufacturing, transportation, installation, utilization, after-sale service and recovery. Domestically, the Group develops free or compensated recovery mechanism in every province while internationally, the Group enters into cooperation with local enterprises qualified for recovery processing by entrusting them with the recovery processing of its products.

During the reporting period, the Group has complied with relevant laws and regulations that have a significant impact on the Group relating to product responsibility.

The Group attaches great importance to information security and privacy protection of the Company, the staff and the customers. The Group strictly upholds the privacy right of customers by formulating and implementing a confidentiality management policy for strict protection on the Company's business and customers' secrets. Through various systems such as VI Standards on Management and Utilization (《VI管理及使用規範》), Management Measures on External News and Publicity of the Group (《集團對外新聞宣傳管理辦法》) and Management Measures on WeChat Public Account (《微信公眾號管理辦法》), the Group has strengthened its management of corporate brand image and sensitive information. The Group actively conducts hidden threat clearance and rectification work regarding cybersecurity loopholes of the network and online systems, continuously enhances the management of cybersecurity and information security, optimizes practices and procedures for handling online information security and improve the capability of handling risks regarding online information security. The Group also organizes relevant trainings to effectively raise the staff awareness of privacy and information protection. The Group strictly performs relevant non-disclosure terms in accordance with the requirements set out in the contracts entered into with the customers and based on actual needs, enters into non-disclosure agreements with employees.

(III) ANTI-CORRUPTION

In compliance with the requirements of national laws and regulations and the Group's relevant systems, the Group requires its employees abstaining from misconducts such as offering or accepting bribery, corruption, blackmail, fraud and money laundering in any circumstance in order to ensure lawful and compliant operation. The Group has no tolerance towards any suspected criminal offence and will promptly whistle-blow and report to judicial authorities. The Group will also actively cooperate with the judicial authorities for investigation. During the reporting period, the Group did not have any concluded corruption litigations against the Company or its employees.

To effectively carry forward the integrity campaign, the Group continues to improve its internal audit rules and regulations and the internal control system with an aim at strengthening internal supervision, risk management and anti-corruption management. To reduce operation risks, an internal audit department is in place to exercise monitoring over the issues of the Group including financial incomes and expenses, budgets, final accounts, asset quality, operating performance and other economic activities. As a member of China Enterprise Anti-Fraud Alliance, the Group has proactively communicated with other alliance members to learn advanced external experience and address its deficiencies. The Group has developed a series of anti-fraud and anti-corruption systems, comprising the Employee Manual, Code of Conduct and Management Code on the Group's Managers (《集團經理人行為準則及管理守則》), Accountability System of Marketing Platform Operation (《市場營銷平台經營問責制》), Purchasing Accountability System (《採購問責制度》), Regulation on Integrity of Purchasing Staff (《採購業務人員廉潔從業規定》), Accountability and Incident Management System in relation to Key Responsibility (《關鍵責任事件問責管理制度》), Anti-corruption Policy (《反舞弊制度》) and Standards of Commercial Conduct (《商業行為準則》). The Group has also implemented various operation procedures, including Management Regulations for Anti-Fraud and Anti-Corruption (《反舞弊反腐敗管理規範》), Compliance Management Regulations (《合規管理規範》) and Management Regulations for the Integrity of Staff in Sensitive Positions (《敏感崗位從業人員廉潔管理規定》). Meanwhile, the Group has reinforced trainings for its employees and promoted the implementation of the above systems and the corporate culture of anti-corruption by posting articles and cases in relation to anti-corruption on its public accounts, hence strengthening the awareness of anti-corruption of all employees and encouraging them to participate in supervision by giving feedbacks and reporting any internal operational defects or irregularities of the Group through multiple channels including telephone, email and WeChat, thus prohibiting any forms of illegal operation activities such as bribery, fraud and corruption and fostering its corporate culture of integrity and compliant operation. The Group addresses the identified issues in a timely manner according to the laws and regulations to ensure the implementation of the relevant systems.

The Group has always attached importance to establishing a sound corporate culture of anti-corruption by strengthening employee training to develop their awareness of anti-fraud and anti-corruption. New employees have to receive orientation training in relation to the publicity of anti-fraud and anti-corruption. The Group also organizes publicity of its anti-corruption culture in daily operation for directors and employees through various ways including offline special training, Comba Colorful Classes, Comba Lessons (京日説法) and E-Learning online learning platform. Besides, the Group has organised special training on anti-corruption for specific personnel, including marketing staff and procurement staff.

In order to strengthen the awareness of anti-corruption of all employees, a total of 22 training sessions were held with a total of 55 training hours during the last three years. Of which, 8 sessions of training with a total of 20 training hours, 7 sessions with a total of 17.5 training hours and 7 sessions with a total of 17.5 training hours were held in 2020, 2019 and 2018, respectively.

VII. COMMUNITY INVESTMENT

Whilst accelerating its own development in a healthy and rapid manner, the Group is devoted to supporting social charity and proactively fulfills its social responsibilities and obligations. It has devoted many human and financial resources to various aspects including public welfare activities, poverty alleviation, donations for school, staff care and expressing greetings and concern to the injured and disabled. In 2020, the Group made a total donation of HK$768,000 in the PRC on aspects such as social charity, poverty alleviation, provision of financial assistance to poor students and social activities.

During the pandemic, the Group actively made deployment for prevention and control of the pandemic and realized zero infection case. The Group was among the first batch of enterprises in Guangzhou which resumed work and production after the Chinese New Year and has made good administrative preparation for resumption of work and production in the three bases. Related measures included daily disinfection in the bases, supply of catering service in canteens, virus testing for staff in relation to shuttle bus and gate entry. At the same time, quarantine rooms were set up in dormitories for employees returning to Guangzhou from high-risk regions hit by the pandemic. The work in relation to prevention and control of the pandemic after resumption of work has gained recognition from both the regional government and the municipal government.

During the preliminary stage of the pandemic, the Group has set up an emergency team for pandemic prevention and control to perform division of labour during the outbreak. The team promptly collected and purchased anti-pandemic items for employees' use after the Chinese New Year holiday and for disinfection in the bases. An online platform on Corporate WeChat was also built to promptly release over 20 announcements relating to the related prevention and control, with a view to guiding the Group and various departments to implement prevention and control measures for employees. The schedules of employees during their holidays were also collected to timely keep abreast of their health conditions. Besides, the Group secured supply and timely transportation of anti-pandemic items, providing comprehensive support and security for resumption of work and production. In addition to a total of 520,000 boxes of meal distributed and 400,000 masks purchased and distributed, with relentless efforts of team in coordination and procurement, the Group has also provided its employees with anti-pandemic items such as Chinese herbal medicines, masks, forehead thermometers, hand wash, disinfectant alcohol, disinfectant, paper hand towel, paper for pressing lift buttons and protective gloves during 2020.

The Group also paid attention to personal care by implementing measures related to employment stabilization to safeguard employees' benefits. During the fighting against the pandemic, employees who were not able to come to work as normal due to the pandemic in accordance with the requirements of the relevant guidance as promulgated by the government, or employees who were able to work from home were so arranged to work and remunerated as normal, while employees who were not able to work from home were given priority to take paid leaves and be arranged for leave. At the same time, shift of duty was also adopted to secure the income of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group organized and participated in various large-scale cultural and sports activities, which amounted to over 50 items in 2020. The activities mainly included a series of large-scale competitions organized during the Group's Sports Day such as badminton games, table tennis games, basketball games and walking activity, and other activities such as the chess and tractor race, online chess games, online exhibition of calligraphy and paintings, the friendly match between Comba Chess Club (京信象協) and Educational Chess Association of Guangdong Province (廣東省教育棋協), team chess competition of Mayor's Cup (市長盃象棋團體賽), activity of giving spring blessings and Chinese New Year couplets, lucky draw of home appliances, spring festival gala for migrant workers in Huangpu District, socialising activities of regional labour associations, socialising activity of Hua Nan Bank, socialising activity of Beijing Normal University, Sports Day of Beijing Normal University, friendly basketball match of Beijing Normal University, friendly badminton game of Beijing Normal University, swimming contests, Little Golden Goose activity (小金雁活動), Yoga class, badminton class, table tennis class, calligraphy class, lessons and leisure classes organized by regional labour associations and movie viewing activities for employees.

Employees participating in the Group's cultural and sports activities were more than 10,000 in 2020. These activities helped to strengthen the building of corporate culture, enrich leisure life of employees and develop the hobbies and strengths of employees, which effectively promoted the organization of such cultural and sports activities, increased communication and cooperation among departments and enhanced team cohesion and solidarity, thereby establishing a sound cultural environment of the Group to support the development of cultural and sports activities of the enterprise and community.

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
25 March 2021

for identification purpose

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Director(s)") of Comba Telecom Systems Holdings Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 (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 consolidated 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 discussion on the Group's future business development and the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis on pages 11 to 20 of this annual report. An analysis of the Group's performance during the Current Year using financial key performance indicators is set out in the 5 Year Financial Summary on page 184 of this annual report.

The Group is committed to support sustainability of the environment and endeavours to comply with laws and regulations regarding environmental protection and to adopt measures to achieve efficient use of resources, energy saving and waste reduction. A further discussion of the Group's environmental policies and performance is included in the Environmental, Social and Governance Report in this annual report.

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. The Company is subject to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Law, the Hong Kong Companies Ordinance, the Securities and Futures Ordinance ("SFO") and/or the rules and regulations of the jurisdiction(s) where the shares of the Company are listed and traded. The Environmental, Social and Governance Report in this annual report also contains brief description of 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 Current Year by the business and location of customers is set out in note 4 to the consolidated financial statements.

RESULTS

The Group's results for the year ended 31 December 2020 and the state of affairs of the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 80 to 183 of this annual report.

REPORT OF THE DIRECTORS

DIVIDENDS

In view of the Group's operating results for the Current Year and taking into consideration of its long-term future development and its flexibility of financial position, the Directors do not recommend to declare and pay a final dividend (2019: HK1.2 cents per ordinary share) in respect of the Current Year to the shareholders of the Company.

A dividend policy (the "Dividend Policy") was adopted by the Board on 31 December 2018. Pursuant to the Dividend Policy, the Company may consider to declare and pay dividends to the shareholders of the Company, provided that the Company is profitable and without affecting the normal operations of the Group. When deciding whether to propose a dividend and determining the dividend amount, the Board shall take into account, amongst other things, the financial performance and condition, liquidity position, working capital requirements and future expansion plans of the Group, and any other factors which the Board deems relevant. The payment of dividend is also subject to any requirements of the Cayman Islands Companies Law and the Memorandum and Articles of Association of the Company.

The Board will continue to review the Dividend Policy from time to time. There is no assurance that dividends will be paid in any particular amount for any given period.

5 YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 184 of this annual report. This summary does not form part of the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Current Year amounted to HK$768,000.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED SHARES

Details of movements in the Company's share capital, share options and awarded shares during the Current Year are set out in notes 29 and 30 to the consolidated financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Law, amounted to HK$348,918,000. In addition, the Company's share premium account in the amount of HK$1,437,024,000 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 Current Year, sales to the Group's five largest customers accounted for approximately 51.9% of the total sales for the year and sales to the largest customer included therein accounted for approximately 20.9% 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 2020, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own 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 and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

Mr. Fok Tung Ling ("Mr. Fok") *(Chairman)*
Mr. Zhang Yue Jun *(Vice Chairman)*
Mr. Xu Huijun ("Mr. Xu") *(President)*
Mr. Chang Fei Fu
Mr. Bu Binlong ("Mr. Bu")
Ms. Huo Xinru ("Ms. Huo")

NON-EXECUTIVE DIRECTOR

Mr. Wu Tielong ("Mr. Wu")

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, Kevin ("Mr. Lau")
Dr. Lin Jin Tong ("Dr. Lin")
Ms. Ng Yi Kum ("Ms. Ng")
Ms. Wong Lok Lam ("Ms. Wong")
(appointed with effect from 24 November 2020)
Ms. Leung Hoi Wai
(resigned with effect from 24 November 2020)

In accordance with article 86(3) of the Articles, Ms. Wong will retire and, being eligible, will offer herself for re-election at the forthcoming annual general meeting (the "AGM") of the Company. In accordance with articles 87(1) and 87(2) of the Articles, Mr. Zhang Yue Jun, Mr. Xu, Ms. Huo, Mr. Lau, Dr. Lin and Ms. Ng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company has received annual confirmation of independence from each of Mr. Lau, Dr. Lin, Ms. Ng and Ms. Wong for the Current Year and considers them to be independent as each of them fulfils the requirements as set out in Rule 3.13 of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 21 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company that 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 20 of this 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.

A permitted indemnity provision for the benefit of the Directors is currently in force throughout the Current Year. The Company has maintained Directors' liability insurance which provides appropriate cover for the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for XHT No.2 Partnership (as defined below) in which Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo have interests and XHT No.3 Partnership (as defined below) in which Mr. Wu has interests (as disclosed in the section "Connected Transactions" below), no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, was a party, and in which a Director or his/her connected entities 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

As at 31 December 2020, 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 SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			
Name of Directors	Notes	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital (Approximately)**
Mr. Fok	(a)	24,864,339	678,115,129	702,979,468	25.55
Mr. Zhang Yue Jun	(b)	–	228,225,410	228,225,410	8.29
Mr. Xu		10,000,000	–	10,000,000	0.36
Mr. Bu		2,350,084	–	2,350,084	0.08
Mr. Wu		1,842,049	–	1,842,049	0.06

Long positions in share options of the Company:

Name of Directors	**Number of share options directly beneficially owned**
Mr. Xu	15,000,000
Mr. Chang Fei Fu	7,600,000
Mr. Bu	10,100,000
Ms. Huo	6,050,000
Mr. Wu	8,450,000
Mr. Lau	510,000
Dr. Lin	455,000
Ms. Ng	200,000

REPORT OF THE DIRECTORS

Notes:

(a) These shares are beneficially owned by Prime Choice Investments Limited. By virtue of 100% shareholding of Prime Choice Investments Limited, Mr. Fok is deemed or taken to be interested in the 678,115,129 shares owned by Prime Choice Investments Limited under the SFO.

(b) These 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 228,225,410 shares owned by Wise Logic Investments Limited under the SFO.

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo beneficially holding approximately 20.96%, 10.06%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.2 Partnership"), and Mr. Wu beneficially holding approximately 14.56% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.3 Partnership"), both are subsidiaries of the Company, as at 31 December 2020, 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 of the Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 30 to the consolidated financial statements.

On 29 May 2020, the Company adopted a share incentive scheme (the "Scheme") and on 1 June 2020 and 10 June 2020, the shares of Comba Network Systems Company Limited (京信網絡系統股份有限公司) (formerly known as Comba Telecom Systems (China) Limited# (京信通信系統(中國)有限公司)) ("Comba Network"), an indirect subsidiary of the Company, were awarded to directors, employees and consultants of the Group to recognize their contributions. Comba Business Consulting (Guangzhou) Limited# (京信企業諮詢(廣州)有限公司) ("Comba Consulting", an indirect wholly-owned subsidiary of the Company), acts as a general partner, together with the selected participants in the Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships (as defined below) and four G Partnerships (as defined below) in the People's Republic of China.

Comba Consulting has set up XHT No.2 Partnership, Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)) (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under Non-G Partnerships consist of four Directors, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network and its subsidiaries, the "Comba Network Group") and three consultants of the Group (excluding the Comba Network Group). Upon the establishment, Non-G Partnerships purchase certain existing shares of Comba Network from Comba Telecom Systems Limited ("CTSL"), a wholly owned subsidiary of the Company, at the total consideration of RMB57,700,000.

Comba Consulting has also set up Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)), XHT No.3 Partnership, Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)) and Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)) (the "G Partnerships") under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. Upon the establishment, G Partnerships subscribe for and Comba Network issues certain new shares at the total consideration of RMB54,400,000.

Each of the Non-G Partnerships and G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. After completion of relevant acquisitions of the incentive shares under the Scheme, the Non-G Partnerships and G Partnerships hold approximately 5.37% and 5.06% of the equity interest of Comba Network, respectively.

For details of the Scheme, please refer to the announcements of the Company dated 10 June 2020 and 24 June 2020.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "share option scheme, share award scheme and share incentive scheme" above and in the share option scheme, share award scheme and share incentive scheme in note 30 to the consolidated 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 of the Company or their respective spouses or children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Current Year, none of the Directors have any interest in business which competes or may compete, directly or indirectly, 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 consolidated financial statements, respectively under "Other Employee Benefits" on page 122 and "Employee benefit expense" on page 131 of this annual report, respectively.

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

As at 31 December 2020, the following substantial shareholders of the Company (other than a Director or the chief executive of the Company) had interests or short positions in the shares or underlying shares 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 held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investments Limited		Beneficial owner	678,115,129	24.65
Madam Chen Jing Na	(a)	Interest of spouse	702,979,468	25.55
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.29
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.29

Notes:

(a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 702,979,468 shares 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 228,225,410 shares 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) 678,115,129 shares between Prime Choice Investments Limited and Madam Chen Jing Na; and

(ii) 228,225,410 shares between Wise Logic Investments Limited and Madam Cai Hui Ni.

Save as disclosed above, as at 31 December 2020, 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 are set out in note 35 to the consolidated 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 are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

For the purpose of implementation of the Scheme, on 10 June 2020, Comba Consulting as general partner entered into the Non-G Limited Partnership agreements with the Non-G limited partners as limited partners and on 1 June 2020 and 10 June 2020, Comba Consulting as general partner entered into the G Limited Partnership agreements with the G limited partners as limited partners, in relation to the establishment and management of the Non-G Partnerships and G Partnerships respectively.

Pursuant to the Scheme,

1. incentive shares to be awarded to the Selected Participants would be the shares of Comba Network;

2. Comba Consulting acts as general partner, together with the relevant Selected Participants acts as limited partners, to set up seven limited liability partnerships in the People's Republic of China;

3. the partnerships are divided into two categories: G Partnership and Non-G Partnership. Four G Partnerships have been set up to hold the relevant incentive shares for and on behalf of the relevant employees of Comba Network Group and three Non-G Partnerships have been set up to hold the relevant incentive shares for and on behalf of the relevant employees and consultants of the Group (other than Comba Network Group); and

4. for the purpose of vesting of the incentive shares to the Selected Participants, G Partnerships acquired certain new shares of Comba Network by way of capital increase while the Non-G Partnerships purchased certain existing shares of Comba Network from CTSL.

The adoption of the Scheme is to recognize and reward the contributions of the Selected Participants for the growth and development of and to provide them with incentives in order to retain them for the continual operation, development and long-term growth of the Group and to attract suitable personnel for further development of the Group, in particular, Comba Network Group. The establishment of the Non-G Partnerships and G-Partnerships is to hold the incentive shares under the Scheme for and on behalf of the relevant Selected Participants in order to protect the partnership interests and maximize the profit for the Non-G Partnerships and G-Partnerships.

Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo, the limited partners of the XHT No.2 Partnership (a subsidiary of the Company) and the Directors, are considered to be the connected persons of the Company. The total capital commitment of the XHT No.2 Partnership is RMB23.85 million. The capital commitment for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo in XHT No.2 Partnership are RMB5.0 million, RMB2.4 million, RMB2.4 million and RMB2.4 million respectively. They together beneficially hold more than 10% of the interest in XHT No.2 Partnership and XHT No.2 Partnership is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and hence a connected person of the Company.

Mr. Wu, the limited partner of the XHT No.3 Partnership (a subsidiary of the Company) and the Director, is considered to be the connected person of the Company. The total capital commitment of the XHT No.3 Partnership is RMB19.22 million. The capital commitment for Mr. Wu in XHT No.3 Partnership is RMB2.8 million. Mr. Wu beneficially holds more than 10% of the interest in XHT No.3 Partnership and XHT No.3 Partnership is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and hence a connected person of the Company.

As XHT No.2 Partnership and XHT No.3 Partnership are considered to be connected persons of the Company, the relevant acquisitions of shares made by XHT No.2 Partnership and XHT No.3 Partnership constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 10 June 2020 and 24 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's total issued share capital as required under the Listing Rules as at 31 December 2020 and the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

AUDITOR

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

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
25 March 2021

for identification purpose

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Comba Telecom Systems Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 183, which comprise the consolidated statement of financial position as at 31 December 2020, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Inventories provision 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. Since the technology develops rapidly in the telecommunications industry, the Group's inventories are subject to significant risk of obsolescence and significant management's judgements and estimates were involved in determining the provisions against obsolete and slow-moving inventories. We focused on this area because balances of inventories were significant to the Group (11% of total assets) and inventories provision was made based on subjective estimates and was influenced by assumptions concerning future consumption. The Group's disclosures about accounting judgements and estimates relating to and the recognition of inventories provision are included in notes 3 and 6 to the consolidated financial statements.	We evaluated the sales forecasts prepared by management for the purpose of identifying slow-moving and obsolete inventories by checking, on a sample basis, to the sales orders and agreements, and assessing the estimated sales by taking into account the accuracy of previous estimations, the historical evidence supporting underlying assumptions and current market conditions. We also tested, on a sample basis, the accuracy of the inventories ageing report. For the net realizable value of obsolete and slow-moving inventories identified, we have checked a sample of recent sales invoices for the value.
Impairment of trade receivables Trade receivables comprises 36% of total assets in the consolidated statement of financial position. The Group applied a forward-looking expected loss impairment model on impairment of trade receivables. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. Due to the significance of trade receivables and the related estimation uncertainty, this is considered a key audit matter. Details of the impairment of trade receivables are disclosed in notes 3 and 21 to the consolidated financial statements.	We evaluated management's assessment on impairment of trade receivables by checking, on a sample basis, the ageing analysis and settlements made subsequent to the year-end date. For long-aged receivables, we have assessed the Group's provision by considering historical payment patterns, available information concerning the creditworthiness of the customers and any correspondence with customers on expected settlement dates which we sample tested the settlements for proper execution of such repayment schedules. For balances where a provision for impairment was recognized, we understood the rationale behind management's judgement, considering historical patterns of trading and settlement, current economic conditions and forward-looking information as well as recent communications with the counterparties.

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment review As at 31 December 2020, the Group recorded goodwill and intangible assets of HK$253 million and HK$490 million, respectively, as a result of previous acquisitions. Under HKFRSs, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Company performs its annual impairment test on each cash-generating unit to assess whether the goodwill might be impaired as at 31 December. In addition, each year, the Company assesses whether a change in useful life is applicable and/or whether there are any indications of impairment for intangible assets. The test and assessment are largely based on management's expectations and estimates of future results of the (group of) cash-generating units which include the entities acquired in the past. The impairment test is based on the recoverable value of the relevant cash-generating units. The key assumptions and results of the test performed are disclosed in note 14 to the consolidated financial statements. The accounting policies, significant accounting judgements and estimates and disclosures for goodwill are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We examined the forecasted cash flows of respective cash generating units which underpin management's impairment review. We tested the basis of preparing those forecasts taking into account the historical data supporting underlying assumptions. Future cash flow assumptions were examined through comparison of current business performance, seeking corroborative evidences and enquiry with management in respect of key growth and business assumptions. The key assumptions such as the discount rate and terminal growth rate were tested with appropriate inputs from our internal valuation experts. We also focused on the adequacy of the Group's disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
Hong Kong
25 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	5	**5,057,240**	5,779,916
Cost of sales		**(3,612,059)**	(4,003,732)
Gross profit		**1,445,181**	1,776,184
Other income and gains	5	**183,442**	176,065
Research and development expenses	6	**(471,055)**	(346,785)
Selling and distribution expenses		**(542,321)**	(559,599)
Administrative expenses		**(571,519)**	(573,966)
Other expenses		**(243,540)**	(237,211)
Finance costs	7	**(69,352)**	(104,013)
Share of profit of a joint venture		**1,052**	–
(LOSS)/PROFIT BEFORE TAX	6	**(268,112)**	130,675
Income tax expense	9	**(23,011)**	(61,853)
(LOSS)/PROFIT FOR THE YEAR		**(291,123)**	68,822
Attributable to:			
Owners of the parent		**(194,104)**	151,749
Non-controlling interests		**(97,019)**	(82,927)
		(291,123)	68,822
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**HK(7.36) cents**	HK6.18 cents
Diluted		**HK(7.36) cents**	HK6.12 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
(LOSS)/PROFIT FOR THE YEAR	**(291,123)**	68,822
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**119,150**	(67,777)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**119,150**	(67,777)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	**17,265**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**17,265**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**136,415**	(67,777)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(154,708)**	1,045
Attributable to:		
Owners of the parent	**(67,651)**	92,698
Non-controlling interests	**(87,057)**	(91,653)
	(154,708)	1,045

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**1,357,251**	1,320,293
Right-of-use assets	13(a)	**283,745**	253,261
Goodwill	14	**253,077**	253,077
Deferred tax assets	15	**213,276**	204,064
Intangible assets	16	**881,565**	859,853
Equity investments designated at fair value through other comprehensive income	18	**38,563**	13,423
Equity investments designated at fair value through profit or loss	18	**30,851**	28,473
Restricted bank deposits	23	**26,366**	71,532
Investment in a joint venture	17	**11,856**	–
Total non-current assets		**3,096,550**	3,003,976
CURRENT ASSETS			
Inventories	20	**1,275,812**	1,191,244
Trade receivables	21	**4,130,899**	3,997,781
Notes receivable	22	**134,132**	156,822
Prepayments, other receivables and other assets	19	**835,805**	790,901
Financial assets at fair value through profit or loss	18	**1,475**	–
Restricted bank deposits	23	**133,702**	169,179
Cash and cash equivalents	23	**1,716,786**	1,867,186
Total current assets		**8,228,611**	8,173,113
CURRENT LIABILITIES			
Trade and bills payables	24	**4,030,825**	4,026,068
Other payables and accruals	25	**844,867**	1,092,456
Interest-bearing bank borrowings	26	**972,173**	115,086
Tax payable		**78,648**	82,835
Provision for product warranties	27	**74,313**	73,764
Total current liabilities		**6,000,826**	5,390,209
NET CURRENT ASSETS		**2,227,785**	2,782,904
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,324,335**	5,786,880

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	**410,300**	1,643,039
Deferred tax liabilities	15	**148,501**	152,415
Lease liabilities	13(b)	**103,592**	94,409
Redeemable preferred shares in a subsidiary	28	**111,908**	–
Total non-current liabilities		**774,301**	1,889,863
Net assets		**4,550,034**	3,897,017
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	**275,060**	248,599
Treasury shares	29	**(22,818)**	(22,818)
Reserves	31	**3,854,671**	3,235,428
		4,106,913	3,461,209
Non-controlling interests		**443,121**	435,808
Total equity		**4,550,034**	3,897,017

Fok Tung Ling
Director

Chang Fei Fu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Notes	Attributable to owners of the parent												
		Issued capital HK$'000 (note 29)	Treasury shares HK$'000 (note 29)	Share premium account HK$'000 (note 29)	Share-based compensation reserve HK$'000 (note 30)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve of equity instruments at FVOCI HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019		241,948	(22,818)	598,797	58,710	45,480	46,634	189,104	35,188	(7,240)	2,092,350	3,278,153	527,461	3,805,614
Profit for the year		–	–	–	–	–	–	–	–	–	151,749	151,749	(82,927)	68,822
Other comprehensive loss for the year:														
Exchange differences related to foreign operations		–	–	–	–	–	–	–	(59,051)	–	–	(59,051)	(8,726)	(67,777)
Total comprehensive income for the year		–	–	–	–	–	–	–	(59,051)	–	151,749	92,698	(91,653)	1,045
Share option scheme														
– value of services	30(a)	–	–	–	27,622	–	–	–	–	–	–	27,622	–	27,622
– exercise of share options	29(a)	6,651	–	116,975	(36,098)	–	–	–	–	–	–	87,528	–	87,528
– transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	(803)	–	–	–	–	–	803	–	–	–
Interim 2019 dividend		–	–	–	–	–	–	–	–	–	(24,792)	(24,792)	–	(24,792)
Transfer to/from retained profits		–	–	–	–	–	(3,610)	21,967	–	–	(18,357)	–	–	–
At 31 December 2019		248,599	(22,818)	715,772	49,431	45,480	43,024	211,071	(23,863)	(7,240)	2,201,753	3,461,209	435,808	3,897,017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 29)	Treasury shares HK$'000 (note 29)	Share premium account HK$'000 (note 29)	Share-based compensation reserve HK$'000 (note 30)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve of equity instruments at FVOCI HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2020		248,599	(22,818)	715,772*	49,431*	45,480 *	43,024*	211,071*	(23,863)*	(7,240)*	2,201,753*	3,461,209	435,808	3,897,017
Loss for the year		-	-	-	-	-	-	-	-	-	(194,104)	(194,104)	(97,019)	(291,123)
Other comprehensive income for the year:														
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		-	-	-	-	-	-	-	-	17,265	-	17,265	-	17,265
Exchange differences related to foreign operations		-	-	-	-	-	-	-	109,188	-	-	109,188	9,962	119,150
Total comprehensive loss for the year		-	-	-	-	-	-	-	109,188	17,265	(194,104)	(67,651)	(87,057)	(154,708)
Share option scheme														
– value of services	30(a)	-	-	-	23,020	-	-	-	-	-	-	23,020	-	23,020
– exercise of share options	29(b)	3,461	-	58,017	(15,546)	-	-	-	-	-	-	45,932	-	45,932
– transfer of share option reserve upon the forfeiture or expiry of share options		-	-	-	233	-	-	-	-	-	(233)	-	-	-
Share award scheme														
– value of services	30(c)	-	-	-	9,619	-	-	-	-	-	-	9,619	-	9,619
Final 2019 dividend		-	-	-	-	-	-	-	-	-	(32,895)	(32,895)	-	(32,895)
Interim 2020 dividend		-	-	-	-	-	-	-	-	-	(19,224)	(19,224)	-	(19,224)
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	94,370	94,370
Issue of shares	29(c)	23,000	-	663,235	-	-	-	-	-	-	-	686,235	-	686,235
Transfer to/from retained profits		-	-	-	-	-	(7,400)	-	-	-	8,068	668	-	668
At 31 December 2020		275,060	(22,818)	1,437,024*	66,757*	45,480*	35,624*	211,071*	85,325*	10,025*	1,963,365*	4,106,913	443,121	4,550,034

* These reserve accounts comprise the consolidated reserves of HK$3,854,671,000 (2019: HK$3,235,428,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(268,112)**	130,675
Adjustments for:			
Interest income	5	**(20,134)**	(16,157)
Finance costs	7	**69,352**	104,013
Share of profit of a joint venture	17	**(1,052)**	–
Depreciation of property, plant and equipment	6	**203,821**	158,075
Depreciation of right-of-use assets	6	**38,853**	42,777
Amortization of intangible assets		**91,304**	86,755
Equity-settled share option expense	6	**23,020**	27,622
Gain on partial disposal of an equity investment designated at fair value through profit or loss	5	**–**	(1,277)
Loss on disposal of intangible assets		**–**	191
Gain on disposal of items of property, plant and equipment	5	**(5,300)**	(752)
Awarded share expense	6	**9,619**	–
Loss on fair value change of financial assets at fair value through profit or loss	6	**3,847**	–
Net gain on equity investments designated at fair value through profit or loss	5	**(590)**	(8,486)
		144,628	523,436
(Increase)/decrease in inventories		**(11,180)**	93,206
Decrease in trade receivables		**113,169**	100,492
Decrease/(increase) in notes receivable		**32,351**	(39,909)
Decrease in prepayments, other receivables and other assets		**919**	173,544
Decrease in trade and bills payables		**(243,273)**	(208,854)
(Decrease)/increase in other payables and accruals		**(325,664)**	104,819
(Decrease)/increase in provision for product warranties		**(3,783)**	11,180
Cash (used in)/generated from operations		**(292,833)**	757,914
Mainland China profits tax paid		**(22,165)**	(30,474)
Overseas profits tax paid		**(15,972)**	(12,369)
Interest paid on lease liabilities	32(b)	**(3,542)**	(5,484)
Net cash flows (used in)/from operating activities		**(334,512)**	709,587
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**20,134**	16,157
Purchases of items of property, plant and equipment		**(265,641)**	(397,940)
Additions to intangible assets		**(90,739)**	(96,628)
Proceeds from disposal of items of property, plant and equipment		**33,830**	19,040
Purchase of a shareholding in a joint venture		**(10,804)**	–
Purchase of financial assets at fair value through profit or loss		**(5,321)**	–
Purchase of equity investments designated at fair value through other comprehensive income/profit or loss		**–**	(13,611)
Proceeds from partial disposal of financial assets at fair value through profit or loss		**–**	14,318
Proceeds from disposal of intangible assets		**7**	–
Decrease in restricted bank deposits		**95,472**	39,906
Net cash flows used in investing activities		**(223,062)**	(418,758)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**97,373**	1,458,000
Repayment of bank loans		**(495,765)**	(1,693,344)
Principal portion of lease payments	32(b)	**(36,763)**	(39,056)
Proceeds from exercise of share options	29	**45,932**	87,528
Interest and other finance costs paid		**(65,810)**	(98,529)
Dividend paid		**(52,119)**	(24,792)
Contribution from the non-controlling shareholders		**94,370**	–
Proceeds from issue of shares	29(c)	**701,500**	–
Share issue expenses	29(c)	**(15,265)**	–
Issued redeemable preferred shares in a subsidiary	28	**111,908**	–
Net cash flows from/(used in) financing activities		**385,361**	(310,193)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(172,213)**	(19,364)
Cash and cash equivalents at beginning of year		**1,867,186**	1,893,859
Effect of foreign exchange rate changes, net		**21,813**	(7,309)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,716,786**	1,867,186
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,651,670**	1,612,268
Non-pledged time deposits with original maturity of less than three months when acquired	23	**65,116**	254,918
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,716,786**	1,867,186

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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, the provision of related engineering services and the provision of operator telecommunication services and their value added 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 Direct	Indirect	Principal activities
Comba Telecom Systems Investments Limited	British Virgin Islands	US$100	100	–	Investment holding
Praises Holdings Limited	British Virgin Islands	US$100	–	100	Investment holding
Comba Telecom Systems Limited 京信通信系統有限公司	Hong Kong	HK$2	–	100	Investment holding and trading of wireless telecommunications network system equipment
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$542,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/paid-up share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Comba Network Systems Company Limited 京信網絡系統股份有限公司 (formerly known as Comba Telecom Systems (China) Limited 京信通信系統(中國)有限公司)**	PRC/Mainland China	RMB368,586,416	–	87.74	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba Software Technology (Guangzhou) Limited 京信軟件科技(廣州)有限公司*	PRC/Mainland China	HK$11,000,000	–	100	Provision of software technology services
Guangzhou TPcom Wireless Ltd. 廣州泰普無線通信設備有限公司*	PRC/Mainland China	RMB1,000,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Cascade Technology Limited	British Virgin Islands	US$1	–	100	Investment holding
WaveLab Holdings Limited	Cayman Islands	US$1,000	–	55	Investment holding
WaveLab, Inc.	Commonwealth of Virginia/ United States of America	US$400,000	–	55	Research and development of digital microwave system equipment
WAVELAB GLOBAL, Incorporated	Commonwealth 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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (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
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 Limited 波達有限公司	Hong Kong	HK$1	–	55	Dormant
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 enhancement system equipment and provision of technical support and repairing services
Comba Telecom Systems (Singapore) Pte. Ltd.	Singapore	SG$1,000,002	–	100	Provision of marketing services and trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom Co., Ltd.	Thailand	THB5,000,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom Systems AB	Sweden	SEK100,000	–	100	Provision of marketing services and trading of wireless telecommunications network system equipment
Noblefield International Limited	British Virgin Islands	US$1	–	87.74	Investment holding

1. CORPORATE AND GROUP INFORMATION (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 Inc.	State of Delaware/ United States of America	US$1	–	87.74	Trading of wireless telecommunications network system equipment
Comba Indústria e Comércio de Equipamentos de Telecomunicações Ltda.	Brazil	BRL188,695,129	–	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	Trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom & Sistemas de México, S.A. de C.V.	Mexico	MXN50,000	–	100	Trading of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom y Servicios de México, S.A. de C.V.	Mexico	MXN50,000	–	100	Provision of general and engineering services
Comba Telecom, S.L.U.	Spain	EUR100,000	–	87.74	Trading of wireless telecommunications network system equipment

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/paid-up share/registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Comba Technologies Sdn. Bhd.	Malaysia	RM350,000	–	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
Jiafu Investments Limited 迦福投資有限公司	British Virgin Islands	US$100	–	100	Investment holding
Jiafu Holdings Limited 迦福控股有限公司	Hong Kong	HK$10,000	–	100	Investment holding
ETL Company Limited	Lao People's Democratic Republic	LAK 637,763,000,000	–	51	Provision of operator telecommunication and their value-added services
Rivera Power Limited	British Virgin Islands	US$1	–	87.74	Investment holding
Comba Telecom Network Systems Limited 京信通信網絡系統有限公司	Hong Kong	HK$1	–	87.74	Trading of wireless telecommunications network system equipment
ScanViS Limited	Hong Kong	HK$1	–	87.74	Provision of hardware and software total solutions and services

1. CORPORATE AND GROUP INFORMATION (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
Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通一號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.1")	PRC/Mainland China	RMB10,900,000	–	20.64	Investment holding
Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通二號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.2")	PRC/Mainland China	RMB23,850,000	–	18.03	Investment holding
Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通三號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.3")	PRC/Mainland China	RMB19,220,000	–	39.91	Investment holding
Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通五號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.5")	PRC/Mainland China	RMB11,900,000	–	16.39	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION (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
Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.6")	PRC/Mainland China	RMB12,380,000	–	18.58	Investment holding
Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.7")	PRC/Mainland China	RMB13,200,000	–	20.08	Investment holding
Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.8")	PRC/Mainland China	RMB20,650,000	–	18.16	Investment holding

Note:

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

** This is a joint stock company limited by shares under PRC law.

*** These are limited partnerships registered under PRC law, accounted for as subsidiaries of the Group even though the Group has less than 50% equity interest in these companies based on the factors explained in note 3 to the consolidated financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, 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 certain buildings classified as property, plant and equipment, redeemable preferred shares in a subsidiary, forward currency contracts and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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 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 Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$1,864,000 has been accounted for as a variable lease payment by derecognizing part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

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 or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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 or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are 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 associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

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

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

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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

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

FAIR VALUE MEASUREMENT

The Group measures its redeemable preferred shares in a subsidiary, forward currency contracts and equity investments 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.

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, maximizing the use of relevant observable inputs and minimizing 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets 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 asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

(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, other than construction in progress 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:

Freehold land	Not depreciated
Buildings	4.5%
Plant and machinery	9%-20%
Furniture, fixtures and office equipment	10%-30%
Motor vehicles	18%-20%

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)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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.

Operating license

Operating license is stated at cost less any impairment loss and is amortized on the straight-line basis over its estimated useful lives of 25 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Research and development expenses

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

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

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

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	50 years
Buildings	More than 1 to 10 years
Telecom towers and other equipment	More than 1 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in lease liabilities and other payables and accruals.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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 financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments*: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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 recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

General approach (continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due, except for certain customers which are granted with a longer credit term. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

The Group's financial liabilities include trade payables, other payables, derivative financial instruments, interest-bearing bank and other borrowings and redeemable preferred shares in a subsidiary.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to 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. The Group has designated its redeemable preferred shares in a subsidiary as financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost (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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

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.

TREASURY SHARES

Own equity instruments which are reacquired and held by 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

For the purpose of the 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.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group 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 countries in which the Group operates.

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

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, and the carry forward 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, and the carry forward 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, associates and joint ventures, 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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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, for which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods and related installation

Revenue from the sale of goods and related installation is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and related installation.

(b) Operator telecommunication services

Revenue is measured at the transaction price which is the amount of consideration to which the Group entitled in exchange for transferring promised services to the customer. For offerings which included the provision of multiple performance obligations, such as telecommunications services (such as voice and data services), telecommunication related products (such as handsets), customer point rewards and/or other promotional goods/services, the Group allocates the transaction price received/receivable from customers to each performance obligation based on the relative stand-alone selling prices.

Revenue for each performance obligation is then recognized when the Group satisfies the performance obligation by transferring the promised services to a customer. Revenue is recognized when the customer obtains the control of the telecommunications services over the time of provision of the services. Revenue from the sale of telecommunication related products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

(c) Technical support and maintenance services

Revenue from the technical support and maintenance services is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other income

Interest income is recognized 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.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CONTRACT LIABILITIES

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS

The Company operates a share option 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 is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised 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 recognised 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 recognised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

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

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The cumulative expense recognised for cash-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 awards that will ultimately vest. The liability is measured at the end of each reporting period up to and including the settlement date, with changes in fair value recognised in the statement of profit or loss.

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.

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 capitalization 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DIVIDENDS

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and joint venture 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Revenue recognition

Performance obligation at a point in time

For performance obligations of the Group such as sale of goods and related installation are not distinct from each other, as: (a) the customer is unable to receive and consume the benefits provided by the Group's performance; (b) the Group's performance does not create or enhance an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced; and (c) the Group does not have an enforceable right to payment for performance completed to date. Hence, such performance obligations are satisfied at a point in time. Specifically, revenue of those performance obligations is recognised upon acceptance by the customers after the respective performance obligations are satisfied.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Consolidation of entities in which the Group holds less than a majority of voting rights

The Group considers that it controls Xin Han Tong No.1, Xin Han Tong No.2, Xin Han Tong No.3, Xin Han Tong No.5, Xin Han Tong No.6, Xin Han Tong No.7 and Xin Han Tong No.8 Partnership even though it owns less than 50% of the voting rights. This is because the Group is the only general partner which can control the investment management or other activities of these partnerships. For details, please refer to note 30(c) 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 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 units 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 units 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 2020 was HK$253,077,000 (2019: HK$253,077,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on groupings of various customer segments that have similar loss patterns (i.e., by geography, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates and time value. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 21 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at 31 December 2020 was HK$174,379,000 (2019: HK$154,866,000). The amount of unrecognized tax losses at 31 December 2020 was HK$401,943,000 (2019: HK$305,711,000). Further details are contained in note 15 to the financial statements.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each reporting period and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of telecommunications industry. Management estimates the net realizable value for those obsolete and slow-moving inventories based primarily on the latest invoice prices and current market conditions. The estimation is reassessed at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognized in the periods in which such estimates have been changed. The carrying amount of inventories at 31 December 2020 was HK$1,275,812,000 (2019: HK$1,191,244,000). For the breakdown, please refer to note 20 to the financial statements. During the year ended 31 December 2020, a write-down of inventories of HK$84,427,000 (2019: HK$121,722,000) was recognized in the consolidated statement of profit or loss (note 6).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The fair value of the unlisted equity investments at 31 December 2020 was HK$69,414,000 (2019: HK$41,896,000). Further details are included in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development expenses 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 2020, the best estimate of the carrying amount of capitalized development costs was HK$360,156,000 (2019: HK$323,468,000). For details, please refer to note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) Wireless telecommunications network system equipment and services

(b) Operator telecommunication services

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

Year ended 31 December 2020	Wireless telecommunications network system equipment and services HK$'000	Operator telecommunication services HK$'000	Total HK$'000
Revenue	4,890,140	167,100	5,057,240
Loss before tax	(38,793)	(229,319)	(268,112)
Segment assets	10,424,674	1,841,353	12,266,027
Elimination			(940,866)
Total assets			11,325,161
Segment liabilities	6,620,041	1,095,952	7,715,993
Elimination			(940,866)
Total liabilities			6,775,127

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019	Wireless telecommunications network system equipment and services HK$'000	Operator telecommunication services HK$'000	Total HK$'000
Revenue	5,624,052	155,864	5,779,916
Profit/(loss) before tax	299,600	(168,925)	130,675
Segment assets	10,047,303	2,015,179	12,062,482
Elimination			(885,393)
Total assets			11,177,089
Segment liabilities	7,134,953	1,030,512	8,165,465
Elimination			(885,393)
Total liabilities			7,280,072

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2020 HK$'000	2019 HK$'000
Mainland China	**3,642,695**	4,320,503
Other countries/areas in Asia Pacific	**705,940**	656,860
Americas	**393,318**	493,159
European Union	**282,179**	200,436
Middle East	**19,406**	100,061
Other countries	**13,702**	8,897
	5,057,240	5,779,916

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

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION (continued)

(b) Non-current assets

	2020 HK$'000	2019 HK$'000
Mainland China	**1,286,932**	1,072,745
Lao People's Democratic Republic	**1,768,033**	1,889,404
Other countries/regions	**41,585**	41,827
	3,096,550	3,003,976

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK$1,059,345,000 (2019: HK$1,734,492,000), HK$498,019,000 (2019: HK$603,275,000) and HK$453,786,000 (2019: HK$850,561,000) was derived from 3 major customers, which accounted for 20.9% (2019: 30.0%), 9.8% (2019: 10.5%) and 9.0% (2019: 14.7%) 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 is as follows:

	2020 HK$'000	2019 HK$'000
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	**4,883,239**	5,575,561
Maintenance services	**6,901**	48,491
Provision of operator telecommunication services	**167,100**	155,864
	5,057,240	5,779,916

5. REVENUE, OTHER INCOME AND GAINS (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 HK$'000	2019 HK$'000
Types of customers		
PRC state-owned telecommunication operator groups	**2,011,150**	3,188,328
Other customers	**3,046,090**	2,591,588
Total revenue from contracts with customers	**5,057,240**	5,779,916

	2020 HK$'000	2019 HK$'000
Timing of revenue recognition		
Goods transferred at a point in time	**4,883,239**	5,575,561
Services transferred over time	**174,001**	204,355
Total revenue from contracts with customers	**5,057,240**	5,779,916

An analysis of other income and gains is as follows:

	2020 HK$'000	2019 HK$'000
Other income and gains		
Bank interest income	**20,134**	16,157
Exchange gain, net	**–**	14,289
Government subsidies#	**120,933**	84,778
VAT refunds*	**12,574**	21,983
Gain on disposal of items of property, plant and equipment	**5,300**	752
Gross rental income	**9,671**	9,073
Penalty income	**4,070**	3,992
Scrapped and recycled items sales	**2,511**	2,771
Gain on equity investments designated at fair value through profit or loss	**590**	8,486
Gain on partial disposal of an equity investment designated at fair value through profit or loss	**–**	1,277
Technical services income	**5,182**	9,109
Others	**2,477**	3,398
	183,442	176,065

The government subsidies represent various cash payments and subsidies provided by the government authorities to the Group as encouragement to its technological innovation, intellectual property and investment of research and development. There are no unfulfilled conditions or contingencies relating to these subsidies.

* During the years ended 31 December 2019 and 2020, 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 13%. 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. (LOSS)/PROFIT BEFORE TAX

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

	Notes	2020 HK$'000	2019 HK$'000
Cost of inventories sold and services provided		**3,511,731**	3,787,652
Depreciation of property, plant and equipment###	12	**203,821**	158,075
Depreciation of right-of-use assets	13	**38,853**	42,777
Amortization of computer software and technology and operating license###	16	**31,690**	27,775
Research and development expenses:			
Deferred expenditure amortized	16	**59,614**	58,980*
Current year expenditure		**411,441**	346,785
		471,055	405,765
Lease payments not included in the measurement of lease liabilities	13	**12,717**	8,247
Auditor's remuneration		**4,461**	4,366
Employee benefit expense (including directors' remuneration, note 8)^:			
Salaries and wages		**1,037,158**	1,001,422
Staff welfare expenses		**45,989**	62,318
Equity-settled share option expense	30(a)	**23,020**	27,622
Awarded share expenses	30(c)	**9,619**	–
Pension scheme contributions (defined contribution schemes)#		**41,057**	73,441
		1,156,843	1,164,803
Gain on partial disposal of an equity investment designated at fair value through profit or loss		**–**	(1,277)
Net gain on equity investments designated at fair value through profit or loss		**(590)**	(8,486)
Loss on fair value change of financial assets at fair value through profit or loss####		**3,847**	–
Exchange loss/(gain), net##		**23,042**	(14,289)
Write-down of inventories to net realizable value		**84,427**	121,722
Impairment of trade receivables and notes receivable####	21, 22	**81,465**	81,984
Provision for product warranties	27	**24,427**	28,559
Impairment of financial assets included in prepayments, other receivables and other assets####		**8,737**	37,569
Gain on disposal of items of property, plant and equipment		**(5,300)**	(752)
Loss on disposal of intangible assets		**–**	191

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

* The amortization of deferred development expenses for the year ended 31 December 2019 was included in "Cost of sales" in the consolidated statement of profit or loss.

^ Staff costs capitalized into deferred development costs amounting to HK$64,586,000 (2019: HK$68,940,000) have not been included in the employee benefit expense.

At 31 December 2020, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2019: Nil).

Net exchange loss and net exchange gain are included in "Administrative expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.

The depreciation of property, plant and equipment and amortization of computer software and technology and operating license amounting to HK$120,395,000 (2019: HK$85,456,000) and HK$23,322,000 (2019: HK$23,322,000) are included in "Other expenses" in the consolidated statement of profit or loss, respectively.

Loss on fair value change of financial assets at fair value through profit or loss, impairment of trade receivables and notes receivable and impairment of financial assets included in prepayments, other receivables and other assets are included in "Other expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank loans	**65,112**	94,645
Interest on lease liabilities	**3,542**	5,484
Finance costs on factored trade receivables	**565**	3,884
Others	**133**	–
	69,352	104,013

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:

	2020 HK$'000	2019 HK$'000
Fees	**880**	740
Other emoluments:		
Salaries, allowances and benefits in kind	**15,234**	14,552
Performance related bonuses	**14,259**	2,905
Equity-settled share option expense	**7,358**	8,302
Share based payment expense	**1,603**	–
Pension scheme contributions	**192**	214
	38,646	25,973
	39,526	26,713

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

(a) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS

2020	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Share based payment expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Fok Tung Ling	–	2,075	875	–	–	18	2,968
Mr. Zhang Yue Jun	–	943	656	–	–	18	1,617
Mr. Xu Huijun	–	3,509	5,766	2,394	533	46	12,248
Mr. Chang Fei Fu	–	3,436	1,324	1,251	255	18	6,284
Mr. Bu Binlong	–	1,413	2,064	1,258	255	64	5,054
Ms. Huo Xinru	–	2,488	1,985	1,090	255	18	5,836
	–	13,864	12,670	5,993	1,298	182	34,007
Non-executive director:							
Mr. Wu Tielong	–	1,370	1,589	1,205	305	10	4,479
Independent non-executive directors:							
Mr. Lau Siu Ki, Kevin	220	–	–	60	–	–	280
Dr. Lin Jin Tong	220	–	–	60	–	–	280
Ms. Ng Yi Kum	220	–	–	40	–	–	260
Ms. Wong Lok Lam (appointed on 24 Nov 2020)	23	–	–	–	–	–	23
Ms. Leung Hoi Wai (resigned on 24 Nov 2020)	197	–	–	–	–	–	197
	880	–	–	160	–	–	1,040
	880	15,234	14,259	7,358	1,603	192	39,526

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

(a) EXECUTIVE DIRECTORS, NON-EXECUTIVE DIRECTOR AND INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

2019	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors:						
Mr. Fok Tung Ling	–	2,091	1,015	–	18	3,124
Mr. Zhang Yue Jun	–	1,201	1,048	–	18	2,267
Mr. Xu Huijun	–	3,281	164	2,814	57	6,316
Mr. Chang Fei Fu	–	3,436	–	1,474	18	4,928
Mr. Bu Binlong	–	1,356	515	1,451	75	3,397
Ms. Huo Xinru	–	1,960	–	1,016	15	2,991
	–	13,325	2,742	6,755	201	23,023
Non-executive director:						
Mr. Wu Tielong	–	1,227	163	1,366	13	2,769
Independent non-executive directors:						
Mr. Lau Siu Ki, Kevin	220	–	–	71	–	291
Dr. Lin Jin Tong	220	–	–	71	–	291
Ms. Ng Yi Kum	171	–	–	38	–	209
Ms. Leung Hoi Wai	120	–	–	–	–	120
Mr. Qian Ting Shuo	9	–	–	1	–	10
	740	–	–	181	–	921
	740	14,552	2,905	8,302	214	26,713

Certain executive directors of the Company are entitled to bonus payments which are determined by reference to the Group's last year performance.

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 5 directors (2019: 5 directors), details of whose remuneration are set out in note 8(a) above.

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020 **HK$'000**	2019 HK$'000
Current – Charge for the year		
Mainland China	**20,480**	157,063
Elsewhere	**13,391**	25,989
Current – overprovision in prior year	**(5,025)**	(9,899)
Deferred	**(5,835)**	(111,300)
Total tax charge for the year	**23,011**	61,853

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

A reconciliation of the tax expense applicable to (loss)/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:

9. INCOME TAX (continued)

	2020		2019	
	HK$'000	**%**	HK$'000	%
(Loss)/profit before tax	**(268,112)**		130,675	
Tax at the applicable tax rate	**(6,649)**	**(2.48)**	30,033	(22.98)
Adjustments in respect of current tax of previous years	**(5,025)**	**(1.87)**	(9,899)	7.57
Income not subject to tax	**(2,335)**	**(0.87)**	(193)	0.15
Expenses not deductible for tax	**11,530**	**4.30**	25,498	(19.51)
Additional deductible research and development expenses	**(49,928)**	**(18.62)**	(40,926)	31.32
Tax losses utilized from previous years	**(13,572)**	**(5.06)**	(9,431)	7.22
Effect on opening deferred tax of decrease in rates	**4,514**	**1.68**	–	–
Tax losses not recognized	**84,476**	**31.50**	66,771	(51.10)
Tax charge at the Group's effective rate	**23,011**	**8.58**	61,853	(47.33)

The Group has tax losses arising in Hong Kong and other jurisdictions of HK$401,943,000 (2019: HK$305,711,000) 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 2020.

10. DIVIDENDS

	2020	2019
	HK$'000	HK$'000
Interim – HK0.7cent (2019: HK1 cent) per ordinary share	**19,224**	24,792
Proposed final – Nil (2019: HK1.2 cents) per ordinary share	**–**	29,832
	19,224	54,624

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,636,139,000 (2019: 2,456,884,000) in issue during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/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 loss per share amounts presented for the year ended 31 December 2020 in respect of a dilution as the impact of the share options had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2020 **HK$'000**	2019 HK$'000
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(194,104)**	151,749

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculations	**2,636,139,000**	2,456,884,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	23,767,000
	2,636,139,000	2,480,651,000

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2020						
At 31 December 2019 and 1 January 2020:						
Cost or valuation	702,021	2,788,421	269,300	59,645	–	3,819,387
Accumulated depreciation	(221,321)	(1,995,081)	(231,787)	(50,905)	–	(2,499,094)
Net carrying amount	480,700	793,340	37,513	8,740	–	1,320,293
At 1 January 2020, net of accumulated depreciation	480,700	793,340	37,513	8,740	–	1,320,293
Additions	16,632	118,404	14,430	3,206	92,969	245,641
Disposals	(8,056)	(8,811)	(8,071)	(3,592)	–	(28,530)
Depreciation provided during the year	(34,692)	(161,704)	(4,844)	(2,581)	–	(203,821)
Exchange realignment	12,104	8,709	1,378	(3)	1,480	23,668
At 31 December 2020, net of accumulated depreciation	466,688	749,938	40,406	5,770	94,449	1,357,251
At 31 December 2020:						
Cost or valuation	733,341	2,832,459	275,079	52,482	94,449	3,987,810
Accumulated depreciation	(266,653)	(2,082,521)	(234,673)	(46,712)	–	(2,630,559)
Net carrying amount	466,688	749,938	40,406	5,770	94,449	1,357,251

NOTES TO FINANCIAL STATEMENTS

31 December 2020

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2019						
At 31 December 2018 and 1 January 2019:						
Cost or valuation	667,949	2,426,079	305,200	64,152	194,477	3,657,857
Accumulated depreciation	(196,706)	(2,021,742)	(260,735)	(50,415)	–	(2,529,598)
Net carrying amount	471,243	404,337	44,465	13,737	194,477	1,128,259
At 1 January 2019, net of accumulated depreciation	471,243	404,337	44,465	13,737	194,477	1,128,259
Additions	56,651	45,040	12,396	800	291,941	406,828
Disposals	(3,577)	(9,675)	(4,248)	(788)	–	(18,288)
Depreciation provided during the year	(34,400)	(104,650)	(14,382)	(4,643)	–	(158,075)
Transfer	–	467,345	–	–	(467,345)	–
Exchange realignment	(9,217)	(9,057)	(718)	(366)	(19,073)	(38,431)
At 31 December 2019, net of accumulated depreciation	480,700	793,340	37,513	8,740	–	1,320,293
At 31 December 2019:						
Cost or valuation	702,021	2,788,421	269,300	59,645	–	3,819,387
Accumulated depreciation	(221,321)	(1,995,081)	(231,787)	(50,905)	–	(2,499,094)
Net carrying amount	480,700	793,340	37,513	8,740	–	1,320,293

For the year ended 31 December 2020, no revaluation of buildings was performed as there were no significant movements in the fair value of the buildings.

13. LEASES

THE GROUP AS A LESSEE

The Group has lease contracts for various items of prepaid land lease payment, buildings, and other equipment. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 1 and 10 years, while other equipment generally has lease terms between 1 and 10 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land HK$'000	Buildings HK$'000	Telecom towers and other equipment HK$'000	Total HK$'000
As at 1 January 2020	115,976	131,881	5,404	253,261
Additions	–	23,040	42,681	65,721
Depreciation charge	(2,918)	(33,810)	(2,125)	(38,853)
Revision of a lease term arising from a change	–	(508)	(1,507)	(2,015)
Exchange realignment	6,712	298	(1,379)	5,631
As at 31 December 2020	119,770	120,901	43,074	283,745

13. LEASES (continued)

THE GROUP AS A LESSEE (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under lease liabilities and other payables and accruals) and the movements during the year are as follows:

	2020 HK$'000	2019 HK$'000
Carrying amount at 1 January	137,667	94,912
New leases	65,389	83,603
Accretion of interest recognized during the year	3,542	5,484
COVID-19-related rent concessions from lessors	(1,864)	–
Payments	(40,305)	(44,540)
Revision of a lease term arising from a change	(2,397)	–
Exchange realignment	(4,409)	(1,792)
Carrying amount at 31 December	157,623	137,667
Analyzed into:		
Current portion	54,031	43,258
Non-current portion	103,592	94,409

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	3,542	5,484
Depreciation charge of right-of-use assets	38,853	42,777
Expense relating to short-term leases or of low-value assets	12,717	8,247
COVID-19-related rent concessions from lessors	(1,864)	–
Total amount recognized in profit or loss	53,248	56,508

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in note 32(b) to the financial statements.

13. LEASES (continued)

THE GROUP AS A LESSOR

The Group leases certain of its properties under operating lease arrangements. 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. Rental income recognized by the Group during the year was HK$9,671,000 (2019: HK$9,073,000), details of which are included in note 5 to the financial statements.

As at 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**7,213**	7,433
After 1 year but within 2 years	**5,463**	6,455
After 2 years but within 3 years	**2,894**	3,122
After 3 years but within 4 years	**2,772**	2,719
After 4 years but within 5 years	**2,150**	1,999
After 5 years	**2,748**	3,559
	23,240	25,287

14. GOODWILL

	2020 HK$'000	2019 HK$'000
Cost and net carrying amount	**253,077**	253,077

IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations is allocated to the following cash-generating units ("CGUs") for impairment testing:

- Wireless telecommunications equipment CGU; and

- Provision of operator telecommunication services and their value added services CGU.

14. GOODWILL (continued)

IMPAIRMENT TESTING OF GOODWILL (continued)

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 from 15% to 17% (2019: 14% to 17%), and cash flows beyond the 5-year period were extrapolated using a growth rate of 2.0% to 3.0% (2019: 2.0% to 3.0%), which was represented by expected long term CPI growth rate.

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$'000	Losses available for offsetting against future taxable profits HK$'000	Total HK$'000
At 1 January 2019	27,160	28,852	18,408	27,593	102,013
Deferred tax (charged)/credited to the statement of profit or loss during the year	(11,397)	(15,669)	2,774	129,527	105,235
Exchange realignment	(298)	(279)	(353)	(2,254)	(3,184)
At 31 December 2019	**15,465**	**12,904**	**20,829**	**154,866**	**204,064**
Deferred tax (charged)/credited to the statement of profit or loss during the year	**(7,830)**	**209**	**(4,986)**	**9,442**	**(3,165)**
Exchange realignment	**496**	**807**	**1,003**	**10,071**	**12,377**
At 31 December 2020	**8,131**	**13,920**	**16,846**	**174,379**	**213,276**

15. DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES

	Revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments for equity investments designated at fair value HK$'000	Total HK$'000
At 1 January 2019	8,188	145,402	4,917	158,507
Deferred tax changed/(credited) to the statement of profit or loss during the year	(632)	(7,554)	2,121	(6,065)
Deferred tax credited to equity statement during the year	–	–	(27)	(27)
At 31 December 2019	**7,556**	**137,848**	**7,011**	**152,415**
Deferred tax charged/(credited) to the statement of profit or loss during the year	**(635)**	**(7,552)**	**(814)**	**(9,001)**
Deferred tax credited to equity statement during the year	**(668)**	**–**	**5,755**	**5,087**
At 31 December 2020	**6,253**	**130,296**	**11,952**	**148,501**

At 31 December 2020, 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$2,071,067,000 at 31 December 2020 (2019: HK$2,085,877,000).

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31 December 2020

16. INTANGIBLE ASSETS

	Operating license HK$'000	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2020					
Cost at 1 January 2020, net of accumulated amortization	513,172	22,099	1,114	323,468	859,853
Additions	–	15,257	–	75,482	90,739
Disposals	–	(7)	–	–	(7)
Amortization provided during the year	(23,322)	(8,368)	–	(59,614)	(91,304)
Exchange realignment	–	1,464	–	20,820	22,284
At 31 December 2020, net of accumulated amortization	489,850	30,445	1,114	360,156	881,565
At 31 December 2020:					
Cost	569,533	138,165	1,114	863,639	1,572,451
Accumulated amortization	(79,683)	(107,720)	–	(503,483)	(690,886)
Net carrying amount	489,850	30,445	1,114	360,156	881,565

16. INTANGIBLE ASSETS (continued)

	Operating license HK$'000	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2019					
Cost at 1 January 2019, net of accumulated amortization	536,494	16,856	1,114	301,586	856,050
Additions	–	10,223	–	86,405	96,628
Disposals	–	(191)	–	–	(191)
Amortization provided during the year	(23,322)	(4,453)	–	(58,980)	(86,755)
Exchange realignment	–	(336)	–	(5,543)	(5,879)
At 31 December 2019, net of accumulated amortization	513,172	22,099	1,114	323,468	859,853
At 31 December 2019:					
Cost	569,533	45,590	1,114	788,157	1,404,394
Accumulated amortization	(56,361)	(23,491)	–	(464,689)	(544,541)
Net carrying amount	513,172	22,099	1,114	323,468	859,853

17. INVESTMENT IN A JOINT VENTURE

	2020 HK$'000	2019 HK$'000
Share of net assets	10,323	–
Goodwill on acquisition	1,533	–
	11,856	–

Particulars of the Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of Registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
CLB ELEKTRONİK ELEKTRİK İLETİŞİM ÜRETİM ARAŞTIRMA GELİŞTİRME MÜHENDİSLİK SANAYİ VE TİCARET ANONİM ŞİRKETİ	Registered capital of TRY1 each	Turkey	50	50	50	Manufacture and sale of electronic products

The above investment is indirectly held by the Company.

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31 December 2020

17. INVESTMENT IN A JOINT VENTURE (continued)

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

	2020 HK$'000	2019 HK$'000
Share of the joint venture's profit for the year	**1,052**	–
Share of the joint venture's total comprehensive income	**1,052**	–
Carrying amount of the Group's investment in the joint venture	**11,856**	–

18. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/PROFIT OR LOSS AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Equity investments designated at fair value through other comprehensive income:		
Unlisted equity investments, at fair value		
極芯通訊技術南京有限公司(原"合肥長河芯動通訊技術有限公司")	**28,970**	11,186
深圳市匯芯通信技術有限公司	**9,593**	2,237
	38,563	13,423
Equity investments designated at fair value through profit or loss:		
Unlisted equity investments, at fair value		
北京奕斯偉信息技術有限公司	**27,733**	25,527
通號粵港澳(廣州)交通科技有限公司	**3,118**	2,946
	30,851	28,473
Financial assets at fair value through profit or loss:		
Forward currency contracts	**1,475**	–

The equity investments of 極芯通訊技術南京有限公司(原"合肥長河芯動通訊技術有限公司") and 深圳市匯芯通信技術有限公司 were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The equity investments of 北京奕斯偉信息技術有限公司 and 通號粵港澳(廣州)交通科技有限公司 were classified as equity investments designated at fair value through profit or loss as they were held for trading.

These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 HK$'000	2019 HK$'000
Prepayments	**421,304**	349,934
Deposits	**168,126**	150,380
Other receivables	**280,368**	321,334
	869,798	821,648
Impairment allowance	**(33,993)**	(30,747)
	835,805	790,901

Deposits and other receivables under current assets mainly represent rental deposits and deposits with suppliers. As at 31 December 2020, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2020 was 0.10% to 10.00% and 100% for stage 1 and stage 3 respectively (2019: 0.10% to 10.00% and 100% for stage 1 and stage 3).

20. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	**315,394**	231,927
Project materials	**71,857**	53,282
Work in progress	**68,573**	45,882
Finished goods	**538,946**	559,704
Inventories on site	**281,042**	300,449
	1,275,812	1,191,244

21. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**4,679,771**	4,467,343
Impairment	**(548,872)**	(469,562)
	4,130,899	3,997,781

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted with a longer credit term. The balances also include retention money, which is for assurance that the product and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale, 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. Trade receivables are non-interest-bearing.

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

	2020 HK$'000	2019 HK$'000
Within 3 months	**1,630,971**	1,655,053
4 to 6 months	**467,199**	463,194
7 to 12 months	**625,451**	585,223
More than 1 year	**1,956,150**	1,763,873
	4,679,771	4,467,343
Provision for impairment	**(548,872)**	(469,562)
	4,130,899	3,997,781

21. TRADE RECEIVABLES (continued)

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

	2020 HK$'000	2019 HK$'000
At beginning of year	**469,562**	436,595
Impairment losses	**82,008**	78,803
Amount written off as uncollectible	**(2,939)**	(40,103)
Exchange realignment	**241**	(5,733)
At end of year	**548,872**	469,562

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on groupings of various customer segments with similar loss patterns (i.e., geography, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of future recovery.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

		Past due			
As at 31 December 2020	**Current**	**Less than 1 year**	**1-2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**1.55%**	**2.35%**	**14.82%**	**55.80%**	
Gross carrying amount (HK$'000)	**2,748,975**	**794,891**	**356,643**	**779,262**	**4,679,771**
Expected credit losses (HK$'000)	**42,504**	**18,664**	**52,837**	**434,867**	**548,872**

		Past due			
As at 31 December 2019	Current	Less than 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	1.51%	2.24%	14.78%	51.00%	
Gross carrying amount (HK$'000)	2,738,974	709,106	297,023	722,240	4,467,343
Expected credit losses (HK$'000)	41,458	15,849	43,895	368,360	469,562

22. NOTES RECEIVABLE

	2020 HK$'000	2019 HK$'000
Notes receivable	**136,936**	160,003
Impairment	**(2,804)**	(3,181)
	134,132	156,822

At 31 December 2020 and 31 December 2019 none of the notes receivable were endorsed.

All notes receivable of the Group would mature within 9 months.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2020 HK$'000	2019 HK$'000
Cash and bank balances	**1,651,670**	1,612,268
Time deposits	**225,184**	495,629
	1,876,854	2,107,897
Less:		
Restricted bank deposits for bills payable	**(17,356)**	(11,240)
Restricted bank deposits for performance bonds	**(142,712)**	(229,471)
Cash and cash equivalents	**1,716,786**	1,867,186

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$1,349,484,000 (2019: HK$1,291,860,000). 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. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

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

	2020 HK$'000	2019 HK$'000
Within 3 months	**2,085,758**	2,251,938
4 to 6 months	**622,696**	704,646
7 to 12 months	**423,889**	503,754
More than 1 year	**898,482**	565,730
	4,030,825	4,026,068

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

25. OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Accruals	**194,095**	153,794
Contract liabilities	**99,801**	111,556
Other payables	**550,971**	827,106
	844,867	1,092,456

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

26. INTEREST-BEARING BANK BORROWINGS

	2020		2019	
	Maturity	**HK$'000**	Maturity	HK$'000
Current				
Bank loans – secured	**2021**	**972,173**	2020	115,086
Non-current				
Bank loans – secured	**2022**	**410,300**	2021-2025	1,643,039
		1,382,473		1,758,125
Analyzed into:				
Bank loans repayable				
Within 1 year or on demand		**972,173**		115,086
In the 2nd year		**410,300**		885,986
In the 3rd to 5th years, inclusive		**–**		645,198
Beyond 5 years		**–**		111,855
		1,382,473		1,758,125

During the year ended 31 December 2020, the Group applied to the relevant bank for early repayment of certain outstanding long-term loans in the amount of RMB320,000,000 (equivalent to approximately HK$379,990,000) with original maturities between 2021 to 2025.

As at 31 December 2020, loans denominated in Hong Kong dollars and RMB amounted to HK$1,285,100,000 (2019: HK$1,389,000,000) and HK$97,373,000 (2019: HK$369,125,000), respectively.

The carrying amounts of the Group's interest-bearing bank borrowings approximate to their fair values (note 37).

As at 31 December 2020 and 2019, certain bank loans carried floating rate at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum. Bank loans as at 31 December 2020 bear interest at rates ranging from 3.05% to 3.10% (2019: from 3.49% to 5.49%) per annum.

27. PROVISION FOR PRODUCT WARRANTIES

	2020 HK$'000	2019 HK$'000
At 1 January	**73,764**	63,831
Additional provision	**24,427**	28,559
Amounts utilized during the year	**(28,210)**	(17,379)
Exchange realignment	**4,332**	(1,247)
At 31 December	**74,313**	73,764

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 provision 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 provision for product warranties were not discounted as the effect of discounting was not material.

28. REDEEMABLE PREFERRED SHARES IN A SUBSIDIARY

	2020 HK$'000	2019 HK$'000
Redeemable preferred shares in a subsidiary	**111,908**	–

On 22 December 2020, Comba Network Systems Company Limited ("Comba Network") issue 16,586,416 shares to an investor, representing 4.5% of the enlarged equity interest in Comba Network for the consideration of HK$111,908,000.

The key terms of the preferred shares in a subsidiary are summarised as follows:

(a) LIQUIDATION PREFERENCE

In the event of any liquidation event (including customarily-deemed-liquidation events such as acquisition), the holders of the preferred shares in a subsidiary would be entitled to receive in preference to the holders of the ordinary shares a per share amount equal to the per share purchase price plus a pre-determined simple interest rate and any declared but unpaid dividends (the "Preference Amount"), proportionately adjusted for share splits, share dividends, recapitalisations and the like.

28. REDEEMABLE PREFERRED SHARES IN A SUBSIDIARY (continued)

The key terms of the preferred shares in a subsidiary are summarised as follows: (continued)

(b) REDEMPTION RIGHTS

If Comba Network fails to consummate a qualified public offering prior to the fourth anniversary of 22 December 2020, at the option of the holder of the preferred shares in a subsidiary, the Group shall redeem all of the outstanding preferred shares in a subsidiary held by the requesting holder, at the price for preferred share issue price and a return at a pre-determined simple interest rate on all accrued but unpaid dividends, proportionally adjusted for share splits, share dividends, recapitalisations and the like. The redemption rights shall be terminated upon the closing of a qualified public offering.

The redeemable preferred shares in a subsidiary were designated as financial liabilities at fair value through profit or loss on initial recognition. At the end of the reporting period subsequent to initial recognition, all redeemable preferred shares in a subsidiary are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise.

The movements of the preferred shares in a subsidiary are set out below:

	2020 HK$'000
Issuance in December	**111,908**
At 31 December	**111,908**

The Group applied the discounted cash flow method to determine the underlying equity value of the Comba Network and adopted option-pricing method and equity allocation model to determine the fair value of the redeemable preferred shares in a subsidiary. Key assumptions are set as below:

	31 December 2020
Discount rate	**16%**
Risk-free interest rate	**2.886%**
Discount for lack of marketability	**20%**
Volatility	**43.94%**

Discount rate was estimated by weighted average cost of capital as of each appraisal date. The Group estimated the risk-free interest rate based on the yield of Chinese Treasury with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date.

29. SHARE CAPITAL

Shares	2020 HK$'000	2019 HK$'000
Authorized:		
5,000,000,000 (2019: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid or credited as fully paid:		
2,750,593,918 (2019: 2,485,988,818) ordinary shares of HK$0.10 each	**275,060**	248,599

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 2019		2,419,474,860	241,948	(22,818)	598,797	817,927
Share option scheme						
– exercise of share options	(a)	66,513,958	6,651	–	116,975	123,626
At 31 December 2019 and 1 January 2020		**2,485,988,818**	**248,599**	**(22,818)**	**715,772**	**941,553**
Share option scheme						
– exercise of share options	(b)	**34,605,100**	**3,461**	**–**	**58,017**	**61,478**
Issue of shares	(c)	**230,000,000**	**23,000**	**–**	**663,235**	**686,235**
At 31 December 2020		**2,750,593,918**	**275,060**	**(22,818)**	**1,437,024**	**1,689,266**

As at 31 December 2020, the total number of issued ordinary shares of the Company was 2,750,593,918 (2019: 2,485,988,818) shares which included 16,637,136 (2019: 16,637,136) shares held under a share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 (note 30(b)).

Notes:

(a) During the year ended 31 December 2019, the subscription rights attaching to 43,600,308 share options, 19,823,650 share options and 3,090,000 share options were exercised at the adjusted exercise prices of HK$1.354 per share, HK$1.255 per share and HK$1.170 per share respectively, resulting in the issue of 66,513,958 shares of HK$0.10 each for a total cash consideration, before expenses of approximately HK$87,528,000.

(b) During the year ended 31 December 2020, the subscription rights attaching to 19,692,600 share options, 9,676,500 share options and 5,236,000 share options were exercised at the exercise prices of HK$1.255 per share, HK$1.170 per share and HK$1.890 per share respectively, resulting in the issue of 34,605,100 shares of HK$0.10 each for a total cash consideration, before expenses of approximately HK$45,932,000.

29. SHARE CAPITAL (continued)

Notes: (continued)

(c) During the year ended 31 December 2020, the Company completed the top-up placing of 282,000,000 shares of HK$0.10 each at a placing price of HK$3.05 per share and the subscription of 230,000,000 new shares of HK$0.10 each at a subscription price of HK$3.05 each (the "Subscription"). The net proceeds from the Subscription are approximately HK$686,235,000 (after deducting the related costs and expenses) which would result in the additional share capital of approximately HK$23,000,000 and share premium of approximately HK$663,235,000.

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME

(a) SHARE OPTION SCHEME

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

The purposes of the 2013 Scheme are to provide incentives and rewards to eligible persons who contribute to the success of the Group's operations. Eligible persons of the 2013 Scheme include directors (including independent non-executive directors), employees, holders of any securities, business or joint venture partners, contractors, agents or representatives of, persons or entities that provide research, development or technological support or any advisory, consultancy, professional services for the business of the Group, investors, vendors, suppliers, developers or licensors of, or customers, licensees, wholesalers, retailers, traders or distributors of goods or services of members of the Group, the Company's controlling shareholders or companies controlled by the Company's controlling shareholders.

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

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

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(a) SHARE OPTION SCHEME (continued)

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

The exercise price of the share options granted under the 2013 Scheme is determinable by the directors of the Company, but shall not be less than the highest of: (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of offer of the share options; and (iii) the average closing prices of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five trading days immediately preceding the date of offer of the share options.

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

The following number of share options were outstanding under the 2013 Scheme during the year:

	2020		2019	
	Weighted average exercise price of each share option HK$	**Number of share options**	Weighted average exercise price of each share option HK$	Number of share options
At 1 January	**1.525**	**174,913,850**	1.258	169,213,454
Exercised during the year	**1.327**	**(34,605,100)**	1.316	(66,513,958)
Forfeited during the year	**1.545**	**(2,248,500)**	1.243	(6,415,918)
Expired during the year	**–**	**–**	1.354	(1,369,728)
Granted during the year	**–**	**–**	1.890	80,000,000
At 31 December	**1.574**	**138,060,250**	1.525	174,913,850

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME(continued)

(a) SHARE OPTION SCHEME (continued)

Movements in the number of the Company's share options under the 2013 Scheme during the year are as follows:

Name or category of participant	At 1 January 2020	Number of share options Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK$ per share
Executive directors										
Mr. Fok Tung Ling	-	-	-	-	-	-				
Mr. Zhang Yue Jun	-	-	-	-	-	-				
Mr. Xu Huijun	5,000,000	-	-	-	-	5,000,000	28 Aug 18	28 Aug 19–27 Aug 23	1.300	-
	10,000,000	-	-	-	-	10,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-
	15,000,000	-	-	-	-	15,000,000				
Mr. Chang Fei Fu	3,300,000	-	(2,200,000)	-	-	1,100,000	26 Aug 16	26 Aug 17–25 Aug 21	1.255	2.3164
	2,000,000	-	(500,000)	-	-	1,500,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	2.3080
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-
	10,300,000	-	(2,700,000)	-	-	7,600,000				2.3149
Mr. Bu Binlong	3,300,000	-	-	-	-	3,300,000	26 Aug 16	26 Aug 17–25 Aug 21	1.255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-
	10,100,000	-	-	-	-	10,100,000				
Ms. Huo Xinru	1,050,000	-	-	-	-	1,050,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-
	6,050,000	-	-	-	-	6,050,000				
Non-executive director										
Mr. Wu Tielong	1,650,000	-	-	-	-	1,650,000	26 Aug 16	26 Aug 17–25 Aug 21	1.255	-
	1,800,000	-	-	-	-	1,800,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	-
	5,000,000	-	-	-	-	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-
	8,450,000	-	-	-	-	8,450,000				

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(a) SHARE OPTION SCHEME (continued)

Movements in the number of the Company's share options under the 2013 Scheme during the year are as follows: (continued)

Name or category of participant	At 1 January 2020	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2020	Date of grant of share options*	Exercise period of share options	Exercise price of share options	Weighted average closing price of the shares immediately before the dates on which the share options were exercised
	Number of share options								HK$ per share	HK$ per share
Independent non-executive directors										
Mr. Lau Siu Ki, Kevin	110,000	–	–	–	–	110,000	26 Aug 16	26 Aug 17–25 Aug 21	1.255	–
	200,000	–	–	–	–	200,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	510,000	–	–	–	–	510,000				
Dr. Lin Jin Tong	55,000	–	–	–	–	55,000	26 Aug 16	26 Aug 17–25 Aug 21	1.255	–
	200,000	–	–	–	–	200,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	455,000	–	–	–	–	455,000				
Ms. Ng Yi Kum	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
Ms. Wong Lok Lam (appointed on 24 Nov 2020)	-	–	–	–	–	-				
Ms. Leung Hoi Wai (resigned on 24 Nov 2020)	-	–	–	–	–	-				
Other employees in aggregate	37,389,850	–	(17,492,600)	–	(375,000)	19,522,250	26 Aug 16	26 Aug 17–25 Aug 21	1.255	3.0161
	37,209,000	–	(9,176,500)	–	(747,000)	27,285,500	10 Apr 18	10 Apr 19–9 Apr 23	1.170	3.1699
	49,250,000	–	(5,236,000)	–	(1,126,500)	42,887,500	8 Apr 19	8 Apr 20–7 Apr 24	1.890	3.3259
	123,848,850	–	(31,905,100)	–	(2,248,500)	89,695,250				3.1112
	174,913,850	–	(34,605,100)	–	(2,248,500)	138,060,250				

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

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(a) SHARE OPTION SCHEME (continued)

During the year ended 31 December 2019, certain directors were granted share options on 8 April 2019 in respect of their services to the Group under the share options scheme of the Company. The fair value of share options granted to (i) Mr. Xu Huijun was approximately HK$6,214,000, (ii) each of Mr. Chang Fei Fu, Mr. Bu Binlong, Ms. Huo Xinru and Mr. Wu Tielong was approximately HK$3,106,000, (iii) each of Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong and Ms. Ng Yi Kum was approximately HK$124,000, and (iv) other employees in aggregate was approximately HK$29,997,000 on the date of grant.

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

31 December 2020 Number of share options	**Exercise price of share options HK$**	**Exercise period**
25,737,250	**1.255**	**26 August 2017 to 25 August 2021**
33,835,500	**1.170**	**10 April 2019 to 9 April 2023**
5,000,000	**1.300**	**28 August 2019 to 27 August 2023**
73,487,500	**1.890**	**8 April 2020 to 7 April 2024**
138,060,250		

31 December 2019 Number of share options	Exercise price of share options HK$	Exercise period
45,804,850	1.255	26 August 2017 to 25 August 2021
44,259,000	1.170	10 April 2019 to 9 April 2023
5,000,000	1.300	28 August 2019 to 27 August 2023
79,850,000	1.890	8 April 2020 to 7 April 2024
174,913,850		

The expense recognized in the consolidated statement of profit or loss for employee services received during the year is approximately HK$23,020,000 (2019: HK$27,622,000).

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(a) SHARE OPTION SCHEME (continued)

At the end of the reporting period, the Company had 138,060,250 share options outstanding under the 2013 Scheme, of which 53,947,750 were vested and 84,112,500 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 138,060,250 additional ordinary shares of the Company and additional share capital of HK$13,806,000 and share premium of HK$203,473,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 134,538,750 share options outstanding under the 2013 Scheme, which represented approximately 4.89% of the Company's shares in issue as at that date.

According to the scheme limit of the 2013 Scheme as refreshed at the annual general meeting held on 28 May 2018, the Company may further grant 246,516,486 share options (being 10% of the total number of issued shares of the Company as at 28 May 2018). Since 5,000,000 share options and 80,000,000 share options were granted on 28 August 2018 and 8 April 2019 respectively, the total number of unissued share options under the scheme limit became 161,516,486, representing approximately 5.87% of the Company's shares in issue as at 31 December 2020.

(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 ten years commencing on the Adoption Date.

The Board has resolved to renew the term of the Share Award Scheme for a term of ten years as from 25 March 2021 to 25 March 2031.

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.

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(b) SHARE AWARD SCHEME (continued)

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

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 for the years ended 31 December 2019 and 2020 are as follows:

	Treasury shares held for the Share Award Scheme
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	**16,637,136**

No Awarded Shares held for Selected Persons were outstanding as at 31 December 2020.

30. SHARE OPTION SCHEME, SHARE AWARD SCHEME AND SHARE INCENTIVE SCHEME (continued)

(c) SHARE INCENTIVE SCHEME

On 29 May 2020, the Company adopted a share incentive scheme (the "Share Incentive Scheme") and on 1 June 2020 and 10 June 2020, the shares of Comba Network, an indirect subsidiary of the Company, were awarded to directors, employees and consultants of the Group to recognize their contributions. Comba Business Consulting (Guangzhou) Limited ("Comba Consulting"), an indirect wholly-owned subsidiary of the Company, acts as a general partner, together with the selected participants in the Share Incentive Scheme (the "Selected Participants") who act as limited partners, has set up three Non-G Partnerships (as defined below) and four G Partnerships (as defined below) in the PRC.

Comba Consulting has set up Xin Han Tong No.2, Xin Han Tong No.7 and Xin Han Tong No.8 (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants under Non-G Partnerships consist of four directors of the Company, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network and its subsidiaries, the "Comba Network Group") and three consultants of the Group (excluding the Comba Network Group). Upon the establishment, Non-G Partnerships purchase certain existing shares of Comba Network from Comba Telecom Systems Limited, a wholly owned subsidiary of the Company, at the total consideration of RMB57,700,000.

Comba Consulting has also set up Xin Han Tong No.1, Xin Han Tong No.3, Xin Han Tong No.5 and Xin Han Tong No.6 (the "G Partnerships") under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. The Selected Participants in the G Partnerships consist of one director of the Company, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. Upon the establishment, G Partnerships subscribe for and Comba Network issues certain new shares at the total consideration of RMB54,400,000.

Each of the Non-G Partnerships and G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. After completion of relevant acquisitions of the incentive shares under the Share Incentive Scheme, the Non-G Partnerships and G Partnerships hold approximately 5.37% and 5.06% of the equity interest of Comba Network, respectively.

The Group had recorded the expenses associated with the awarded shares under the Share Incentive Scheme of HK$9,619,000 in the statement of profit or loss in 2020.

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31. 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 84 and 85 of the annual report.

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.

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities were as follows:

2020	**Interest-bearing bank borrowings HK$'000**	**Lease liabilities HK$'000**
At 1 January 2020	**1,758,125**	**137,667**
Changes from financing cash flows	**(398,392)**	**(36,763)**
New leases	**–**	**65,389**
Foreign exchange movement	**22,740**	**(4,409)**
Interest expense	**–**	**3,542**
COVID-19-related rent concessions from lessors	**–**	**(1,864)**
Reassessment and revision of lease terms	**–**	**(2,397)**
Interest paid classified as operating cash flows	**–**	**(3,542)**
At 31 December 2020	**1,382,473**	**157,623**

2019	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2019	2,000,056	94,912
Changes from financing cash flows	(235,344)	(39,056)
New leases	–	83,603
Foreign exchange movement	(6,587)	(1,792)
Interest expense	–	5,484
Interest paid classified as operating cash flows	–	(5,484)
At 31 December 2019	1,758,125	137,667

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 HK$'000	2019 HK$'000
Within operating activities	**3,542**	13,731
Within financing activities	**36,763**	39,056
	40,305	52,787

33. CONTINGENT LIABILITIES

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

	2020 HK$'000	2019 HK$'000
Guarantees given to banks in respect of performance bonds*	**381,819**	442,892

* Part of performance bonds are secured by the pledge of certain of the Group's time deposits amounting to HK$142,712,000 (2019: HK$229,471,000).

34. COMMITMENTS

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

	2020 HK$'000	2019 HK$'000
Contracted, but not provided for:		
Plant and machinery	**17,225**	16,210

35. 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:

	2020 **HK$'000**	2019 HK$'000
Short-term employee benefits	**30,373**	18,197
Equity-settled share option expense	**7,358**	8,302
Share based payment expense	**1,603**	–
Pension scheme contributions	**192**	214
Total compensation paid to key management personnel	**39,526**	26,713

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.

36. 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:

2020

Financial assets

	Financial assets at amortized cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	1,475	–	1,475
Equity investments at fair value through other comprehensive income	–	–	38,563	38,563
Equity investments at fair value through profit or loss	–	30,851	–	30,851
Trade receivables	4,130,899	–	–	4,130,899
Notes receivable	134,132	–	–	134,132
Financial assets included in prepayments, other receivables and other assets	448,494	–	–	448,494
Restricted bank deposits	160,068	–	–	160,068
Cash and cash equivalents	1,716,786	–	–	1,716,786
	6,590,379	32,326	38,563	6,661,268

Financial liabilities

	Financial liabilities at amortized cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	111,908	111,908
Trade and bills payables	4,030,825	–	4,030,825
Financial liabilities included in other payables and accruals	592,564	–	592,564
Interest-bearing bank borrowings	1,382,473	–	1,382,473
Lease liabilities	103,592	–	103,592
	6,109,454	111,908	6,221,362

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36. 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)

2019

Financial assets

	Financial assets at amortized cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Equity investments at fair value through other comprehensive income	–	–	13,423	13,423
Equity investments at fair value through profit or loss	–	28,473	–	28,473
Trade receivables	3,997,781	–	–	3,997,781
Notes receivable	156,822	–	–	156,822
Financial assets included in prepayments, other receivables and other assets	471,714	–	–	471,714
Restricted bank deposits	240,711	–	–	240,711
Cash and cash equivalents	1,867,186	–	–	1,867,186
	6,734,214	28,473	13,423	6,776,110

Financial liabilities

	Financial liabilities at amortized cost HK$'000	Total HK$'000
Trade and bills payables	4,026,068	4,026,068
Financial liabilities included in other payables and accruals	870,828	870,828
Interest-bearing bank borrowings	1,758,125	1,758,125
Lease liabilities	94,409	94,409
	6,749,430	6,749,430

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the non-current portion of restricted bank deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair values as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2020 were assessed to be insignificant.

As at 31 December 2019 and 2020, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020 and 2019:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/E multiple of peers	12.08 to 12.91 (2019: Nil)	10% (2019: Nil) increase/decrease in multiple would result in increase/ decrease in fair value by HK$299,000 (2019: Nil)
		Average P/B multiple of peers	Nil (2019: 1.55 to 1.67)	Nil (2019:10%) increase/decrease in multiple would result in increase/ decrease in fair value by Nil (2019: HK$313,000)
		Discount for lack of marketability	30% (2019: 30%)	10% (2019: 10%) increase/decrease in discount would result in decrease/ increase in fair value by HK$128,000 (2019: HK$134,000)

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
	Discounted cash flow method	Long term growth rate	3% (2019: 3%)	10% (2019: 10%) increase/decrease in growth rate would result in increase/ decrease in fair value by HK$377,000 (2019: HK$250,000)
		Long term operating margin	41% (2019: 41%)	10% (2019: 10%) increase/decrease in operating margin would result in increase/decrease in fair value by HK$5,321,000 (2019: HK$6,458,000)
		Weighted average cost of capital (WACC)	20.5% (2019: 20.5%)	10% (2019: 10%) increase/ decrease in growth rate would result in decrease/increase in fair value by HK$4,088,000 (2019: HK$3,405,000)
		Discount for lack of marketability	30% (2019: 30%)	10% (2019: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK$1,104,000 (2019: HK$823,000)
		Discount for lack of control	5% (2019: 5%)	10% (2019: 10%) increase/decrease in discount would result in decrease/ increase in fair value by HK$136,000 (2019: HK$101,000)
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2019: Nil) increase/decrease in fair value per share would result in increase/decrease in fair value by HK$5,595,000 (2019: Nil)

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	1,475	–	1,475
Equity investments designated at fair value through other comprehensive income	–	38,563	–	38,563
Equity investments designated at fair value through profit or loss	–	–	30,851	30,851
	–	40,038	30,851	70,889

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Assets measured at fair value: (continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Equity investments designated at fair value through other comprehensive income	–	–	13,423	13,423
Equity investments designated at fair value through profit or loss	–	–	28,473	28,473
	–	–	41,896	41,896

As at 31 December 2020, the fair value of the unlisted equity investments at fair value through other comprehensive income was based on transaction price. The fair value of the unlisted equity investments at fair value through profit or loss was based on a market-based valuation technique. The fair values of financial assets at fair value through profit or loss were measured using valuation models and various market observable inputs, including tenor, volatility and spot rate.

As at 31 December 2019, the Group transferred its financial assets at fair value through profit or loss of HK$33,540,000 from Level 2 to Level 3 fair value hierarchy. As at 31 December 2019, the fair value of the unlisted equity investments at fair value through other comprehensive income/profit or loss was based on a market-based valuation technique.

Liabilities measured at fair value:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	**Significant observable inputs (level 2) HK$'000**	**Significant unobservable inputs (level 3) HK$'000**	**Total HK$'000**
Redeemable preferred shares in a subsidiary	**–**	**–**	**111,908**	**111,908**

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, cash, redeemable preferred shares in a subsidiary 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 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**
2020			
Hong Kong dollars	**50**	**(4,161)**	**–**
RMB	**50**	**(156)**	**–**
Hong Kong dollars	**(50)**	**4,161**	**–**
RMB	**(50)**	**156**	**–**

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2019			
Hong Kong dollars	50	(6,426)	–
RMB	50	(1,790)	–
Hong Kong dollars	(50)	6,426	–
RMB	(50)	1,790	–

* Excluding retained profits

38. 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 11.2% (2019: 9.6%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 97.6% (2019: 93.6%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States dollar ("US$") 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$'000
2020			
If Hong Kong dollar weakens against US$	5	9,020	–
If Hong Kong dollar strengthens against US$	(5)	(9,020)	–
If Brazil dollar weakens against US$	5	(13,916)	–
If Brazil dollar strengthens against US$	(5)	13,916	–
If RMB weakens against US$	5	12,275	–
If RMB strengthens against US$	(5)	(12,275)	–
If Hong Kong dollar weakens against AED	5	(16,832)	–
If Hong Kong dollar strengthens against AED	(5)	16,832	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK (continued)

	Increase/ (decrease) in US$/AED rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2019			
If Hong Kong dollar weakens against US$	5	144,570	–
If Hong Kong dollar strengthens against US$	(5)	(144,570)	–
If Brazil dollar weakens against US$	5	(13,984)	–
If Brazil dollar strengthens against US$	(5)	13,984	–
If RMB weakens against US$	5	17,346	–
If RMB strengthens against US$	(5)	(17,346)	–
If Hong Kong dollar weakens against AED	5	7,259	–
If Hong Kong dollar strengthens against AED	(5)	(7,259)	–

* Excluding retained profits

CREDIT RISK

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.

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31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs Stage 1 HK$'000	Lifetime ECLs Stage 2 HK$'000	Lifetime ECLs Stage 3 HK$'000	Lifetime ECLs Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	4,679,771	4,679,771
Notes receivable	–	–	–	136,936	136,936
Financial assets included in prepayments, other receivables and other assets	417,620	–	30,874	–	448,494
Restricted bank deposits	160,068	–	–	–	160,068
Cash and cash equivalents	1,716,786	–	–	–	1,716,786
	2,294,474	–	30,874	4,816,707	7,142,055

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	4,467,343	4,467,343
Notes receivable	–	–	–	160,003	160,003
Financial assets included in prepayments, other receivables and other assets	442,741	–	28,973	–	471,714
Restricted bank deposits	240,711	–	–	–	240,711
Cash and cash equivalents	1,867,186	–	–	–	1,867,186
	2,550,638	–	28,973	4,627,346	7,206,957

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

The credit risk of the Group's other financial assets, which comprise cash at banks 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 25% (2019: 36%) and 66% (2019: 80%) 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 is disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 and lease liabilities. 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:

			2020		
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	–	147,719	–	147,719
Interest-bearing bank borrowings	369,546	627,733	411,968	–	1,409,247
Trade and bills payables	–	4,030,825	–	–	4,030,825
Financial liabilities included in other payables and accruals	–	599,314	–	–	599,314
Lease liabilities	–	–	96,215	34,414	130,629
	369,546	5,257,872	655,902	34,414	6,317,734

			2019		
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Interest-bearing bank borrowings	31,469	177,443	1,639,791	113,924	1,962,627
Trade and bills payables	–	4,026,068	–	–	4,026,068
Financial liabilities included in other payables and accruals	–	870,828	–	–	870,828
Lease liabilities	–	–	95,126	12,810	107,936
	31,469	5,074,339	1,734,917	126,734	6,967,459

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2019 and 2020.

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:

	2020 **HK$'000**	2019 HK$'000
Interest-bearing bank borrowings	**1,382,473**	1,758,125
Total assets	**11,325,161**	11,177,089
Gearing ratio	**12.2%**	15.7%

39. EVENTS AFTER THE REPORTING PERIOD

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

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:

	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	**847,837**	820,961
CURRENT ASSETS		
Other receivables	**377**	290
Due from subsidiaries	**1,421,555**	1,213,840
Cash and cash equivalents	**4,149**	8,309
Total current assets	**1,426,081**	1,222,439
CURRENT LIABILITIES		
Due to a subsidiary	**488**	480,579
Other payables and accruals	**91,024**	82,059
Total current liabilities	**91,512**	562,638
NET CURRENT ASSETS	**1,334,569**	659,801
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,182,406**	1,480,762
NON-CURRENT LIABILITY		
Financial guarantee contracts	**86,669**	82,812
Net assets	**2,095,737**	1,397,950
EQUITY		
Issued capital	**275,060**	248,599
Treasury shares	**(22,818)**	(22,818)
Reserves (note)	**1,843,495**	1,172,169
Total equity	**2,095,737**	1,397,950

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 2018	598,797	373,108	58,710	415	(4,938)	1,026,092
Profit and total comprehensive income for the year	–	–	–	–	62,370	62,370
Share option scheme						
– value of services	–	–	27,622	–	–	27,622
– exercise of share options	116,975	–	(36,098)	–	–	80,877
– transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(803)	–	803	–
Interim 2019 dividend	–	–	–	–	(24,792)	(24,792)
At 31 December 2019 and 1 January 2020	**715,772**	**373,108**	**49,431**	**415**	**33,443**	**1,172,169**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(5,281)**	**(5,281)**
Share option scheme						
– value of services	**–**	**–**	**23,020**	**–**	**–**	**23,020**
– exercise of share options	**58,017**	**–**	**(15,546)**	**–**	**–**	**42,471**
– transfer of share option reserve upon the forfeiture or expiry of share options	**–**	**–**	**233**	**–**	**(233)**	**–**
Final 2019 dividend	**–**	**(4,966)**	**–**	**–**	**(27,929)**	**(32,895)**
Interim 2020 dividend	**–**	**(19,224)**	**–**	**–**	**–**	**(19,224)**
Issue of shares	**663,235**	**–**	**–**	**–**	**–**	**663,235**
At 31 December 2020	**1,437,024**	**348,918**	**57,138**	**415**	**–**	**1,843,495**

* 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 25 March 2021.

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				
	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**5,057,240**	5,779,916	5,663,310	5,563,725	5,954,328
Cost of sales	**(3,612,059)**	(4,003,732)	(4,204,709)	(4,088,828)	(4,225,937)
Gross profit	**1,445,181**	1,776,184	1,458,601	1,474,897	1,728,391
Other income and gains	**183,442**	176,065	170,091	123,027	173,689
Research and development expenses	**(471,055)**	(346,785)	(353,090)	(331,328)	(227,608)
Selling and distribution expenses	**(542,321)**	(559,599)	(587,040)	(510,499)	(544,071)
Administrative expenses	**(571,519)**	(573,966)	(621,408)	(575,677)	(709,647)
Other expenses	**(243,540)**	(237,211)	(144,431)	(79,325)	(119,126)
Finance costs	**(69,352)**	(104,013)	(73,657)	(47,861)	(47,040)
Share of profit/(loss) of:					
A joint venture	**1,052**	–	–	(935)	(139)
An associate	**–**	–	–	(1,481)	(2,332)
(LOSS)/PROFIT BEFORE TAX	**(268,112)**	130,675	(150,934)	50,818	252,117
Income tax expense	**(23,011)**	(61,853)	(48,402)	(29,185)	(99,726)
(LOSS)/PROFIT FOR THE YEAR	**(291,123)**	68,822	(199,336)	21,633	152,391
Attributable to:					
Owners of the parent	**(194,104)**	151,749	(171,384)	27,373	152,257
Non-controlling interests	**(97,019)**	(82,927)	(27,952)	(5,740)	134
	(291,123)	68,822	(199,336)	21,633	152,391
TOTAL ASSETS	**11,325,161**	11,177,089	11,302,641	10,891,728	8,954,959
TOTAL LIABILITIES	**(6,775,127)**	(7,280,072)	(7,497,027)	(6,560,238)	(5,461,810)
NON-CONTROLLING INTERESTS	**(443,121)**	(435,808)	(527,461)	(565,179)	(55,462)
	4,106,913	3,461,209	3,278,153	3,766,311	3,437,687

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