

# Comba

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

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

Persistent • Focus  
繼往開來 • 凝心聚力

Innovation • Brilliant  
創新發展 • 再創輝煌



# 2024

Interim Report 中期報告

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

Fok Tung Ling (*Chairman*)

Zhang Yue Jun (*Vice Chairman*)

Xu Huijun (*President*)

Chang Fei Fu

Huo Xinru

### NON-EXECUTIVE DIRECTOR

Wu Tielong (resigned with effect from  
22 March 2024)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Ng Yi Kum

Wong Lok Lam

Chong Chee Keong, Chris

## COMPANY SECRETARY

Chan Siu Man

## AUDIT COMMITTEE

Ng Yi Kum (*Chairman*)

Wong Lok Lam

Chong Chee Keong, Chris

## NOMINATION COMMITTEE

Wong Lok Lam (*Chairman*)

Ng Yi Kum

Chong Chee Keong, Chris

## REMUNERATION COMMITTEE

Chong Chee Keong, Chris (*Chairman*)

Ng Yi Kum

Wong Lok Lam

## AUTHORIZED REPRESENTATIVES

Fok Tung Ling

Chang Fei Fu

## REGISTERED OFFICE

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Comba Telecom Systems Holdings Limited

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 611

Building 8W

Hong Kong Science Park

Pak Shek Kok

New Territories

Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited

Suite 3204 Unit 2A Block 3

Building D, P.O. Box 1586

Gardenia Court Camana Bay

Grand Cayman KY1-1100

Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor  
Services Limited

Shops 1712-1716

17/F, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong

## SINGAPORE SHARE TRANSFER AGENT

In.Corp Corporate Services Pte. Ltd.

30 Cecil Street

#19-08 Prudential Tower

Singapore 049712

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

Entering 2024, although the global macro-environment remained uncertain, the infrastructure construction of the 5G industry continued to progress steadily. The integration of technologies, such as 5G-A, artificial intelligence, big data, cloud computing, Internet of Things and Integrated Sensing and Communication, was actively responding to the demand of development in the communications industry driven by ecological application of AIGC, data centres, computing network, low-altitude network, Internet of Vehicles and industrial internet. Despite the slowdown of the construction plans for network capital projects by telecom operators, the trends of global informatization, digitalization, network-based development and intelligentization in this era were irresistible. With the continuous optimization in industrial chain system and ongoing technological advancement, Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") continued to promote the upgrade and evolution of 5G network solutions, with a view to achieving cost reduction, efficiency improvement, quality enhancement and innovation. It also propelled the development in the direction of more flexible configuration, more comprehensive services, more exceptional functional performance, higher intelligentization, lower carbon and more environmentally-friendly so as to satisfy the ever-changing market needs.

## REVENUE

The Group reported interim revenue of HK\$2,343,455,000 (2023: HK\$3,228,189,000) for the six months ended 30 June 2024 (the "Current Period"), representing a decrease of 27.4% as compared to the six months ended 30 June 2023 (the "Prior Period"). The decrease in revenue was mainly attributable to the slowdown of the construction plans for network capital projects by global telecom operators during the Current Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### BY CUSTOMERS

During the Current Period, revenue generated from China Mobile Communications Corporation and its subsidiaries decreased by 31.6% over the Prior Period to HK\$426,493,000 (2023: HK\$623,651,000), accounting for 18.2% of the Group's revenue for the Current Period, compared with 19.3% for the Prior Period.

Revenue generated from China United Telecommunication Corporation and its subsidiaries decreased by 75.8% over the Prior Period to HK\$127,338,000 (2023: HK\$526,620,000), accounting for 5.4% of the Group's revenue for the Current Period, compared with 16.3% for the Prior Period.

Revenue generated from China Telecommunications Corporation and its subsidiaries increased by 41.1% over the Prior Period to HK\$293,648,000 (2023: HK\$208,184,000), accounting for 12.5% of the Group's revenue for the Current Period, compared with 6.4% for the Prior Period.

Revenue from China Tower Corporation Limited increased by 5.2% over the Prior Period to HK\$223,798,000 (2023: HK\$212,713,000), accounting for 9.5% of the Group's revenue for the Current Period, compared with 6.6% for the Prior Period.

During the Current Period, revenue from other customers in the Chinese Mainland decreased by 24.3% over the Prior Period to HK\$215,630,000 (2023: HK\$284,946,000) and represented 9.2% (2023: 8.9%) of the Group's revenue.

On the international front, revenue generated from international customers and core equipment manufacturers for the Current Period decreased by 24.4% to HK\$974,207,000 (2023: HK\$1,288,123,000) over the Prior Period, accounting for 41.6% of the Group's revenue for the Current Period, as compared to 39.9% for the Prior Period.

During the Current Period, revenue from ETL Company Limited ("ETL"), a middle and small-sized telecom operator in Laos and a non-wholly-owned subsidiary of the Group, decreased by 1.9% over the Prior Period to HK\$82,340,000 (2023: HK\$83,952,000), accounting for 3.5% of the Group's revenue for the Current Period (2023: 2.6%). During the Current Period, ETL's revenue denominated in Lao Kip increased by 20.4% over the Prior Period, however the decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 12.4% during the Current Period.

### BY BUSINESSES

During the Current Period, revenue from the base station antennas and subsystems business decreased by 39.7% over the Prior Period to HK\$995,652,000 (2023: HK\$1,652,227,000), accounting for 42.5% (2023: 51.2%) of the Group's revenue in the Current Period.

During the Current Period, revenue generated from the network system business, including wireless enhancement and wireless access, decreased by 25.5% over the Prior Period to HK\$372,860,000 (2023: HK\$500,383,000), accounting for 15.9% (2023: 15.5%) of the Group's revenue for the Current Period.

During the Current Period, revenue from services decreased by 15.7% over the Prior Period to HK\$597,687,000 (2023: HK\$708,722,000), accounting for 25.5% (2023: 22.1%) of the Group's revenue. The Group will remain focused on undertaking high-quality construction projects and invest resources in projects with a higher gross profit margin.

During the Current Period, revenue from other businesses (including wireless transmission) increased by 4.2% over the Prior Period to HK\$294,917,000 (2023: HK\$282,905,000), accounting for 12.6% (2023: 8.8%) of the Group's revenue. The increase in revenue was mainly attributable to the continuous growth in sales of the Group's wireless transmission equipment during the Current Period.

### GROSS PROFIT

During the Current Period, the Group's gross profit decreased by 26.7% to HK\$622,613,000 (2023: HK\$848,985,000) as compared with the Prior Period. The gross profit margin of the Group was 26.6% in the Current Period (2023: 26.3%), increased by 0.3 percentage points as compared with the Prior Period. The decrease in gross profit was mainly attributable to the decrease of overall revenue and the increase in provision made for inventory. The steady increase in gross profit margin was attributable to the competitiveness of new products and the remarkable results of the Group's effort in cost reduction and efficiency improvement.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### OTHER INCOME AND GAINS

During the Current Period, other income and gains decreased by 65.1% to HK\$65,232,000 (2023: HK\$186,821,000) as compared with the Prior Period, accounting for 2.8% (2023: 5.8%) of the Group's revenue. The decrease in other income and gains as compared with the Prior Period was mainly due to the lower exchange gains during the Current Period, as compared with higher-than-expected exchange gains of HK\$110,000,000 arising from the reorganization of loan portfolio in the Prior Period.

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

During the Current Period, R&D expenses increased by 7.4% over the Prior Period to HK\$229,653,000 (2023: HK\$213,916,000), representing 9.8% (2023: 6.6%) of the Group's revenue. The entering of the post-5G era has created opportunities for new application scenarios and models. To enhance the competitiveness of its products, the Group has invested resources in relevant R&D activities in a more effective manner and embraced continuous innovation.

With its strong commitment to R&D, the Group has made advances in creating its own solutions with proprietary intellectual property rights, applying for over 5,800 patents by the end of the Current Period.

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

During the Current Period, S&D expenses increased by 0.7% over the Prior Period to HK\$255,832,000 (2023: HK\$254,003,000), representing 10.9% (2023: 7.9%) of the Group's revenue. The Group upgraded its business expansion strategy to focus on more profitable projects, thereby continuing to enhance the cost-effectiveness of its investment in resources.

### ADMINISTRATIVE EXPENSES

During the Current Period, administrative expenses decreased by 0.8% over the Prior Period to HK\$207,127,000 (2023: HK\$208,762,000), accounting for 8.8% (2023: 6.5%) of the Group's revenue. The Group is committed to optimizing its strategy for organizational and management structure, thereby enhancing operational efficiency on a continuous basis.

### FINANCE COSTS

During the Current Period, finance costs decreased by 55.1% to HK\$13,505,000 (2023: HK\$30,107,000) as compared with the Prior Period, representing 0.6% (2023: 0.9%) of the Group's revenue. The decrease in finance costs was mainly due to the decrease in bank borrowing balance and interest on the borrowings during the Current Period.

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

The management has also leveraged the difference between the interest and foreign exchange rates among different countries to minimize finance costs. As of 30 June 2024, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 10.2% compared with 8.5% as of 31 December 2023.

### OTHER EXPENSES

During the Current Period, other expenses decreased by 16.7% over the Prior Period to HK\$124,997,000 (2023: HK\$150,102,000), representing 5.3% (2023: 4.6%) of the Group's revenue. The decrease in other expenses was mainly due to the decrease in the provision made for receivables during the Current Period as the Group consistently adopted prudent operation and financial principles, which had no impact on cash flows. As the recovery of receivables continued to improve, the management considered that the risk of such receivables was under control.

### TAX

During the Current Period, the Group's overall taxation charge of HK\$14,610,000 (2023: HK\$56,520,000) comprised an income tax expense of HK\$20,809,000 (2023: HK\$43,968,000) and a deferred tax credit of HK\$6,199,000 (deferred tax charge of 2023: HK\$12,552,000).

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### LOSS

The loss attributable to owners of the parent of the Group was HK\$158,433,000 (2023: profit attributable to owners of the parent of HK\$112,178,000 in the Prior Period) during the Current Period.

### DIVIDEND

Given the Group's operating results in the Current Period and taking into consideration its long-term future development and flexibility of its financial position, the board (the "Board") of directors (the "Director(s)") of the Company does not recommend the distribution of an interim dividend for the Current Period (2023: HK\$1.2 cents per ordinary share). The total dividend payout ratio, on the basis of basic earnings per share, was 29.7%.

### PROSPECTS

In 2024, the total number of 5G base stations deployed globally continued to grow, with 261 operators having launched commercial 5G mobile services. The industry demonstrated positive development momentum in various aspects. Chinese Mainland has actively pushed forward the development of 5G RedCap (lightweight) standard. The Ministry of Industry and Information Technology also launched the 5G Lightweight Interoperability Initiative, which coordinated the exploration of innovative applications in key scenarios such as data collection, power load regulation, mobile office and public consumption. Operators in Chinese Mainland are laying out the development of ToB business, which integrated cloud, network, computing and industrial applications, for the post-5G cycle. The 5G-A network has exhibited its application potential in various aspects, including low-altitude transportation, autonomous driving, industrial production and smart cities. A number of milestones were also achieved in the development of 5GLAN, 5G internet of things, edge computing and 5G specialized network. In addition, 3GPP has initiated the first-ever research on 6G standard to promote the global 6G development.

As technology advances and applications expand in the global information and telecommunication industry, the Group will strengthen the exploration of new businesses, remain committed to product innovation, maintain product competitiveness and focus on investing resources in profitable projects, so as to cope with the ever-expanding application demands.

### PRODUCTS AND SOLUTIONS

#### BASE STATION ANTENNA AND SUBSYSTEMS

Leveraging on its extensive experience in mobile telecommunication network construction and its superior technology in integrating and miniaturising multi-frequency and multi-system convergent antennae developed over many years, the Group established its long-term leadership position in the base station antenna market. It also enhanced its key technologies and product competitiveness through persistent research and development, innovation and patent invention, and hence garnered recognition and applause from numerous Chinese domestic and overseas telecommunication network operators, core equipment manufacturers and integrators.

Targeting the demands for low-carbon and environmental protection around the world as well as operators' demands for electricity saving and cost reduction, the Group has upgraded the new generation of "green antenna solution" (Helifeed™) to a 2.0 version with high efficiency and low loss through all-rounded innovative technologies covering environmentally-friendly design and the use of eco-friendly materials, processes and production, which was a full-scenario and customized green antenna product series with basic coverage in urban areas, capacity and coverage in counties/townships/administrative villages, extensive coverage in rural areas as well as coverage along high-speed railways and sea routes, to meet the green and low-carbon network construction demand of operators. The Group achieved a major transformation for base station antenna in terms of design concept and product structure through all-rounded technological innovation.

In response to the demand for low-altitude network construction plan which has already been launched by Chinese domestic operators, the Group innovatively launched the 5G-A air-to-ground stereo shaping green antenna in collaboration with its partners, and successfully completed the country's first pilot verification of 2.1G NR air-to-ground integrated stereo coverage network. This antenna can ensure that the quality of the ground coverage network remains unchanged while significantly enhancing the coverage capability of 5G base stations. The coverage area is expanded from the conventional ground to the low-altitude area within 600 meters, marking an important solution for 5G-A low-altitude collaborative networking. It provides a strong support for the development of new technologies represented by drone applications, such as smart logistics, smart agriculture, aerial surveying and emergency rescue, thereby contributing to the further development of the global low-altitude economy. Through product and technological innovation, the Group will assist operators in building an integrated high-speed and ubiquitous network for sea, land, air and space targeting 6G. This will empower various industries to achieve the aspirational vision of "internet of everything with digital twinning" as soon as possible.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### NETWORK PRODUCT SYSTEM SOLUTIONS

Comba Network Systems Company Limited ("Comba Network"), an indirect subsidiary of the Company, principally engages in the R&D, manufacturing and sales of wireless telecommunications network system equipment. Focusing on the precise construction needs for "in-depth and extensive coverage to eliminate weak and blind spots", Comba Network offers full-scenario and highly cost-efficient integrated telecommunication and information solutions.

As an advocate and pioneer of scenario-based coverage in mobile telecommunication, Comba Network is committed to building a highly effective and value-adding superior network for customers. The diverse product mix of Comba Network has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells and micro cells. By offering in-depth coverage in cities, extensive coverage in rural areas and vast coverage along remote sea routes, it provides highly cost-efficient and competitive products and solutions. During the Current Period, Comba Network co-constructed and shared the indoor wireless network coverage solutions, which achieved growth in many regions around the globe. It also innovatively launched a series of indoor coverage products to meet the needs of multi-operator sharing. These products can realize simultaneous upgrade of network signals for multiple operators in a rapid and efficient manner and hence help operators to significantly lower construction costs and power consumption of systems.

In the area of Open RAN, Comba Network has maintained open applications for commercial use during the Current Period to satisfy the demands of various global operators for new network construction and maintenance of existing networks in the era of 4G/5G co-existence. It has also continued the strategic cooperation and deployed products across many regions worldwide.

In respect of 5G vertical industries, Comba Network has developed FLeX5, an intelligent computing platform that fully connects with "5G network + broad internet of things + MEP + AI" engines. By providing the underlying network and platform solution for the specific needs and applications of target industries, it aims to offer integrated smart solutions to customers. In particular, 5G+ smart mining and 5G+ smart warehousing have established replicable business models and pushed for steady progress in industrial applications in smart nuclear power, smart campus, smart education and smart energy (wind power, photovoltaic and fossil fuel). With its successful application in industrial manufacturing, transport and emergency communication, it offered the 5G basic computing platform for these industries.

### MARKET EXPANSION

#### OPERATOR BUSINESS IN THE CHINESE MAINLAND

During the Current Period, with respect to the area of basic telecommunication, the three major operators in Chinese Mainland will continue to deploy low and medium-band networks for 5G macro cells, while promoting the sustainable development with multi-frequency spectrum and multi-mode, through co-construction and sharing. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of operators, the Group invested in R&D activities and achieved major technological breakthroughs by developing, optimizing and upgrading the innovative low-loss, high-efficiency and low-carbon green antenna on an ongoing basis, which achieved remarkable results in the trial commercial operation of major telecom operators in Chinese Mainland. The operators have initiated the centralized procurement bidding for green antenna products and made deployments for large-scale commercial use. During the Current Period, the Group became the leading bidder in China Mobile's first batch of centralized procurement in respect of green, multi-frequency base station antenna products for 2024 to 2025. The focus of the 5G network is shifting from "extensive" coverage to "in-depth" coverage. As 5G-A technology becomes the forefront, the Group will continue to give full support to its technological R&D strengths which have been developed over many years. It will maintain the in-depth integration between technology and vertical industries to provide customers with reliability, safety, economy, flexibility and other aspects of comprehensive support from the indoor, outdoor and low-altitude coverage business.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### INTERNATIONAL BUSINESS

The Group's international marketing platform is expanding into overseas markets by actively exploring customer needs, cultivating target markets and proactively developing the innovative product market. The Group has capitalized on its comprehensive strengths and competitiveness in products and technology and leveraged its premium services as well as a flexible and open business model to secure a greater market share amidst the slowdown of capital investment from global operators. The Group will maintain the stable cooperation with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions, with a view to offering advanced 5G application solutions to customers globally and strengthening its global market position. By addressing the substantial boost in demand for indoor coverage, hotspot coverage, in-depth coverage and specialized networks in the global 5G-A era, the Group will maintain its leading edges in the areas of DAS solutions and Small Cells. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and jointly conduct R&D for more competitive next-generation products so as to grow its Open RAN business. The Group's green antenna, which achieved excellent performance in a laboratory test of a renowned international operator, has been included in the procurement list of various renowned international operators, and has been supplied in batches. With a focus on the international market, the Group rolled out the industry-leading Complex-MAX active indoor coverage solution and commenced commercial deployment in regions including, among others, South America, North Asia and Europe, covering major venues and campuses such as famous airports, railway tunnels, stadiums and university campuses. Its superior technical specifications are well-recognized by customers.

### NEW BUSINESS

The three major applications for 5G – enhancing mobile broadband, large-scale Internet of Things, and ultra-reliable and low-latency communications – will transform current production modes and everyday lifestyles in the coming years. The Group made technological advances in the “5G + Compound Navigation Robot” product series, launched a full series of mobile robots and unmanned forklift trucks, rolled out standardized scenario-based solutions, and gained wide applications in crucial sectors such as the 3C, food and pharmaceuticals, automobile and textile industries. The Group also achieved breakthroughs in 5G-A passive internet of things technology and holistic coverage solution for sea routes. During the Current Period, the Group launched the industry’s first prototype of cellular passive Internet of Things end-to-end system and cellular passive internet of things relay networking solution. These key technological applications were shortlisted on the “Leading Technology List” in the field of electronic information by the China Association for Science and Technology. The Group will continue to promote the efficient integration of 5G technology and intelligent manufacturing, while actively exploring areas such as “5G + vertical industry applications” to expand the innovation business, with a view to contributing to its business growth in the future.

### CONCLUSION

In the face of the complex and volatile macro environment and the increasingly competitive environment of the information and telecommunication industry, the Group will continue to enhance its organizational performance and strengthen its capabilities for independent R&D and innovative breakthroughs, while consolidating its existing operation achievements. By grasping new market opportunities and further exploring customer needs, the Group will provide stable, high-quality and cost-effective products and services to global operators and industry customers.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 30 June 2024, the Group had net current assets of HK\$1,773,218,000. The current assets of the Group comprised inventories of HK\$1,161,598,000, trade receivables of HK\$3,177,811,000, notes receivable of HK\$101,761,000, prepayments, other receivables and other assets of HK\$310,634,000, financial assets at fair value through profit or loss of HK\$526,000, restricted bank deposits of HK\$90,548,000, time deposits of HK\$226,043,000 and cash and cash equivalents of HK\$1,438,319,000. The current liabilities of the Group comprised trade and bills payables of HK\$3,238,590,000, other payables and accruals of HK\$534,857,000, interest-bearing bank borrowings of HK\$579,644,000, tax payable of HK\$79,469,000, provision for product warranties of HK\$58,332,000 and redeemable preferred shares in a subsidiary of HK\$243,130,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Period was 260 days compared to 218 days for the Prior Period. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted longer credit term. The balance of trade receivables set out above included retention money, which was for assurance that the products and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project, and are generally settled after final certification of products by customers, which would be performed 6 to 12 months after sale. The average payable turnover for the Current Period was 364 days compared to 305 days for the Prior Period. The average inventory turnover for the Current Period was 132 days compared to 99 days for the Prior Period.

As at 30 June 2024, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United States dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

Details of the Group's bank borrowings are set out in note 14 to these interim condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 30 June 2024, to hedge against currency risk underlying the Group's transactions that are settled in Indian Rupee, the Group has outstanding non-deliverable foreign currency option contracts in respect of Indian Rupee with notional amount of US\$16,000,000 (31 December 2023: non-deliverable foreign currency option contracts in respect of Indian Rupee with notional amount of US\$16,000,000).

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

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 10.2% as at 30 June 2024 (31 December 2023: 8.5%).

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

### MATERIAL ACQUISITIONS AND DISPOSALS

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

### USE OF PROCEEDS

On 28 April 2020, the Company completed a top-up placing (the "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 (being professional, institutional and/or individual investors), together with their respective ultimate beneficial owners, are third parties independent of the Company and its connected persons (as defined under the Rules Governing the Listing of Securities (the "Hong Kong Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")).

On 8 May 2020, 150,000,000 and 80,000,000 new shares of 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 Hong Kong Listing Rules) of the Company, respectively at a subscription price of HK\$3.05 per share.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

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

As at 30 June 2024, approximately HK\$10,583,000 of the net proceeds from the Placing remained unutilized. As disclosed in the Company's 2023 annual report, the previous expected timeline for utilizing the residual amount of net proceeds from the Placing was 30 June 2024. Taking into account the impact of the outbreak of COVID-19 pandemic before and the economic downturn experienced during recent years, the Board considered it prudent to focus on maintaining the existing business operations and cash flow liquidity. There was thus a delay in the Group's production capacity expansion compared to its original plan. In this regard, an updated expected timeline for utilizing the residual amount is set out in the table below in light of the circumstances. The Group is committed to the intended use of proceeds and there is currently no plan to change the intended use.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

As at 30 June 2024, details of the amount of the utilized and unutilized net proceeds from the Placing are set out as follows:

Net proceeds raised HK\$'000	Intended use of the net proceeds	Amounts utilized as at 31 December 2023	Amounts utilized during the Current Period	Amounts unutilized as at 30 June 2024	Expected timeline for utilizing the residual amount of net proceeds*
		HK\$'000	HK\$'000	HK\$'000	
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	515,390	nil	nil	N/A
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	150,535	9,727	10,583	by 30 June 2025
686,235		665,925	9,727	10,583	

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

### RESTRICTED BANK DEPOSITS

Deposit balances of HK\$111,729,000 (31 December 2023: HK\$152,581,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

### CONTINGENT LIABILITIES

As at 30 June 2024, the Group had contingent liabilities of HK\$262,922,000 (31 December 2023: HK\$359,619,000), which mainly included guarantees given to banks in respect of performance bonds.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had approximately 4,800 staffs, out of which 1,200 staffs were from ETL (31 December 2023: 5,100 staffs, out of which 1,200 staffs were from ETL). The total staff costs, excluding capitalized development costs, for the Current Period were HK\$555,920,000 (30 June 2023: HK\$501,492,000). The Group offers competitive remuneration schemes to its employees based on industry practices, legal and regulatory requirements, as well as the employees' and the Group's performance. In addition, share options, awarded shares (including incentive shares) and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, legal and regulatory requirements and in accordance with the share schemes adopted by the Company and other members of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the Chinese Mainland or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

**PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES  
(INCLUDING SALE OF TREASURY SHARES) OF THE COMPANY**

During the Current Period, the Company repurchased a total of 3,140,000 shares of the Company on the Hong Kong Stock Exchange for an aggregate amount of approximately HK\$1,771,000. 2,976,000 of the repurchased shares of the Company were cancelled during the Current Period and the remainder will be cancelled subsequent to the Current Period. Accordingly, as at 30 June 2024, the total number of issued shares of the Company was 2,762,776,668. Details of the share repurchases during the Current Period are as follows:

Month	Number of shares repurchased	Purchase price per share		Aggregate Amount paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2024	1,300,000	0.53	0.51	680
May 2024	308,000	0.63	0.62	195
June 2024	1,532,000	0.60	0.55	896
<b>Total</b>	<b>3,140,000</b>			<b>1,771</b>

The Board is committed to optimizing the Company's capital structure. The Board considered that the trading price of the shares of the Company during the Current Period did not reflect the Company's performance, asset value and business prospects and that the repurchase of the shares could enhance earnings per share of the Company and overall return to the shareholders of the Company as well as reflect the confidence of the Board and the management team in the long-term strategy and growth of the Company.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

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

As at 30 June 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Hong Kong Listing Rules, were as follows:

*Long positions in ordinary shares of the Company:*

Name of Directors	Notes	Number of ordinary shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Approximately)
		Directly beneficially owned	Through controlled corporation	Total	
Mr. Fok Tung Ling ("Mr. Fok")	(a)	16,302,339	678,115,129	694,417,468	25.13
Mr. Zhang Yue Jun	(b)	–	228,225,410	228,225,410	8.26
Mr. Xu Huijun ("Mr. Xu")		11,000,000	–	11,000,000	0.39

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

*Long positions in shares underlying share options of the Company:*

<b>Name of Directors</b>	<b>Number of share options directly beneficially owned</b>
Mr. Xu	4,000,000
Mr. Chang Fei Fu	2,000,000
Ms. Huo Xinru ("Ms. Huo")	2,000,000

Notes:

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu and Ms. Huo beneficially holding approximately 32.12%, 10.90% and 10.90% 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)), which is a subsidiary of the Company, as at 30 June 2024, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

### SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

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

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 30 June 2024, 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 Hong Kong Stock Exchange as follows:

*Long positions:*

Name	Notes	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investments Limited		Beneficial owner	678,115,129	24.54
Madam Chen Jing Na	(a)	Interest of spouse	694,417,468	25.13
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.26
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.26

## MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Notes:

- (a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 694,417,468 shares in which Mr. Fok is interested or deemed to be interested under the SFO, including the 678,115,129 shares beneficially owned by Prime Choice Investments Limited.
- (b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 shares in which Mr. Zhang Yue Jun is interested or deemed to be interested under the SFO, including the 228,225,410 shares beneficially owned by Wise Logic Investments Limited.

Save as disclosed above, as at 30 June 2024, no person, other than the Directors or chief executive of the Company, whose interests are set out in the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" above, had registered an interest or short position in the shares or underlying shares that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Hong Kong Stock Exchange.

### COMPLIANCE WITH CODE PROVISIONS

The Board reviewed daily governance of the Company from time to time in accordance with the principles of good corporate governance and code provisions (the "Code Provisions") as set out in Appendix C1 of the Hong Kong Listing Rules and considered that the Company has complied with all Code Provisions during the Current Period.

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Hong Kong Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they confirmed that they have complied with the required standard as set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the Current Period.

### DIRECTORS' BIOGRAPHICAL DETAILS

Pursuant to Rule 13.51B of the Hong Kong Listing Rules, change of Director's particulars since the publication of the Company's 2023 Annual Report is set out below:

- (a) Ms. Ng Yi Kum, an independent non-executive Director, has resigned as 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 with effect from 27 May 2024.

### AUDIT COMMITTEE

The audit committee (the "Audit Committee") of the Company, together with the management of the Company, have reviewed the accounting principles, standards and practices adopted by the Company, and discussed matters relating to auditing, risk management and internal control and financial reporting, including the review of these interim condensed consolidated financial statements for the Current Period. The Audit Committee has reviewed the accounting principles, standards and practices adopted by the Company for these interim condensed consolidated financial statements for the Current Period and does not have any disagreement with the same.

# *for identification purpose*

# INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>REVENUE</b>	5	<b>2,343,455</b>	3,228,189
Cost of sales		<b>(1,720,842)</b>	(2,379,204)
Gross profit		<b>622,613</b>	848,985
Other income and gains	5	<b>65,232</b>	186,821
Research and development expenses		<b>(229,653)</b>	(213,916)
Selling and distribution expenses		<b>(255,832)</b>	(254,003)
Administrative expenses		<b>(207,127)</b>	(208,762)
Other expenses		<b>(124,997)</b>	(150,102)
Finance costs	7	<b>(13,505)</b>	(30,107)
Share of profit of a joint venture		<b>597</b>	953
<b>(LOSS)/PROFIT BEFORE TAX</b>	6	<b>(142,672)</b>	179,869
Income tax expense	8	<b>(14,610)</b>	(56,520)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(157,282)</b>	123,349
Attributable to:			
Owners of the parent		<b>(158,433)</b>	112,178
Non-controlling interests		<b>1,151</b>	11,171
		<b>(157,282)</b>	123,349
<b>(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	10		
Basic		<b>HK(5.73) cents</b>	HK4.04 cents
Diluted		<b>HK(5.73) cents</b>	HK4.04 cents

# INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>(LOSS)/PROFIT FOR THE PERIOD</b>	<b>(157,282)</b>	123,349
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<b>(138,220)</b>	(206,729)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	<b>(138,220)</b>	(206,729)
Other comprehensive (loss)/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	<b>(35,396)</b>	22,481
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	<b>(35,396)</b>	22,481
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX</b>	<b>(173,616)</b>	(184,248)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(330,898)</b>	(60,899)
Attributable to:		
Owners of the parent	<b>(320,725)</b>	(42,175)
Non-controlling interests	<b>(10,173)</b>	(18,724)
	<b>(330,898)</b>	(60,899)

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		954,877	1,078,318
Right-of-use assets		176,159	186,879
Goodwill		232,909	232,909
Deferred tax assets		39,358	43,034
Intangible assets		680,397	713,956
Equity investments designated at fair value through other comprehensive income		55,346	104,524
Equity investments designated at fair value through profit or loss		61,007	84,117
Restricted bank deposits		21,181	23,340
Time deposits		–	109,951
Investment in a joint venture		1,762	1,169
<b>Total non-current assets</b>		<b>2,222,996</b>	<b>2,578,197</b>
<b>CURRENT ASSETS</b>			
Inventories	11	1,161,598	1,323,827
Trade receivables	12	3,177,811	3,504,455
Notes receivable		101,761	96,225
Prepayments, other receivables and other assets		310,634	388,317
Financial assets at fair value through profit or loss		526	1,965
Restricted bank deposits		90,548	129,241
Time deposits		226,043	198,341
Cash and cash equivalents		1,438,319	1,188,457
<b>Total current assets</b>		<b>6,507,240</b>	<b>6,830,828</b>

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

30 June 2024

		30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
	Notes		
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	3,238,590	3,634,150
Other payables and accruals		534,857	541,454
Interest-bearing bank borrowings	14	579,644	707,980
Tax payable		79,469	78,258
Provision for product warranties		58,332	59,050
Redeemable preferred shares in a subsidiary		243,130	246,117
<b>Total current liabilities</b>		<b>4,734,022</b>	5,267,009
<b>NET CURRENT ASSETS</b>		<b>1,773,218</b>	1,563,819
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>3,996,214</b>	4,142,016
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	14	312,586	87,961
Deferred government grant		19,107	20,113
Deferred tax liabilities		143,606	164,986
Lease liabilities		40,142	42,590
<b>Total non-current liabilities</b>		<b>515,441</b>	315,650
<b>Net assets</b>		<b>3,480,773</b>	3,826,366
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Issued capital	15	276,278	276,576
Treasury shares		(22,910)	(22,818)
Reserves	17	3,020,890	3,327,772
		<b>3,274,258</b>	3,581,530
<b>Non-controlling interests</b>		<b>206,515</b>	244,836
<b>Total equity</b>		<b>3,480,773</b>	3,826,366

# INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the parent										Total equity HK\$'000		
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000		Total HK\$'000	Non- controlling interests HK\$'000
At 1 January 2023	278,020	(22,818)	1,466,391	145,447	45,490	65,381	214,285	(63,865)	411,311	1,538,853	3,728,305	234,421	3,964,726
Profit for the period	-	-	-	-	-	-	-	-	-	112,178	112,178	11,171	123,349
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	22,481	-	22,481	-	22,481
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(176,834)	-	-	(176,834)	(29,895)	(206,729)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(176,834)	22,481	112,178	(42,175)	(18,724)	(60,899)
Additional capital contribution to a subsidiary	-	-	-	-	(22,846)	-	-	-	-	-	(22,846)	22,846	-
Share option scheme	-	-	-	5,096	-	-	-	-	-	-	5,096	-	5,096
- value of services	2,516	-	380,656	(111,391)	-	-	-	-	-	-	29,433	-	29,433
- exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	-
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(4,002)	-	-	-	-	-	4,002	-	-	-
Share incentive scheme	-	-	-	13,445	-	-	-	-	-	-	13,445	-	13,445
- value of services	-	-	-	-	-	-	-	-	-	(30,556)	(30,556)	-	(30,556)
Final 2022 dividend	-	-	-	-	-	-	-	-	-	-	(53,658)	-	(53,658)
Shares repurchased	(2,748)	(11,720)	(99,193)	-	-	-	-	-	-	-	-	-	-
Transfer to/from retained profits	-	-	-	-	-	(1,508)	-	-	-	1,508	-	-	-
At 30 June 2023 (unaudited)	277,791	(34,538)	1,465,254	152,447	22,634	63,873	214,285	(240,699)	63,612	1,622,365	3,627,044	240,543	3,867,587

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

For the six months ended 30 June 2024

	Attributable to owners of the parent												
	Issued capital HK\$'000	Treasury shares HK\$'000	Share premium account HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Statutory reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve of equity investments at FVOCI HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2024	276,576	(22,818)	1,469,365*	166,375*	22,638*	62,366*	215,911*	(159,836)*	64,059*	1,485,897*	3,581,550	244,836	3,826,386
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(159,433)	(159,433)	1,151	(157,282)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	-	(65,396)	-	(65,396)	-	(65,396)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(126,896)	-	-	(126,896)	(11,324)	(138,220)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(126,896)	(65,396)	(159,433)	(302,725)	(10,173)	(330,898)
Share option scheme	-	-	-	1,811	-	-	-	-	-	-	1,811	-	1,811
- value of services	-	-	-	-	-	-	-	-	-	-	-	-	-
- exercise of share options	-	-	-	-	-	-	-	-	-	-	-	-	-
- transfer of share option reserve upon the forfeiture or expiry of share options	-	-	-	(46,725)	-	-	-	-	-	46,725	-	-	-
Share incentive scheme	-	-	-	13,408	-	-	-	-	-	-	13,408	-	13,408
- value of services	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(28,148)	(28,148)
Repurchase and cancellation of shares	(288)	(92)	(1,376)	-	-	(1,508)	-	-	-	-	(1,766)	-	(1,766)
Transfer to/from retained profits	-	-	-	-	-	-	-	-	-	1,508	-	-	-
At 30 June 2024 (unaudited)	276,278	(22,910)	1,467,999*	134,869*	22,638*	60,858*	215,911*	(285,732)*	28,663*	1,375,897*	3,274,258	206,515	3,480,773

\* These reserve accounts comprise the consolidated reserves of HK\$3,020,890,000 (31 December 2023: HK\$3,327,772,000) in the interim consolidated statement of financial position.

# INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss)/profit before tax		<b>(142,672)</b>	179,869
Adjustments for:			
Interest income	5	<b>(13,063)</b>	(16,731)
Finance costs	7	<b>13,505</b>	30,107
Share of profit of a joint venture		<b>(597)</b>	(953)
Depreciation of property, plant and equipment	6	<b>69,728</b>	73,497
Depreciation of right-of-use assets	6	<b>26,487</b>	26,920
Amortisation of intangible assets		<b>40,242</b>	75,759
Equity-settled share option expense	6	<b>1,811</b>	5,096
Loss on disposal of items of property, plant and equipment	6	<b>4,003</b>	4,739
Awarded share expense	6	<b>13,408</b>	13,445
Loss on fair value change of financial assets at fair value through profit or loss	6	<b>1,439</b>	13,766
Loss/(gain) on fair value change of redeemable preferred shares in a subsidiary	6	<b>2,656</b>	(387)
Loss/(gain) on equity investments designated at fair value through profit or loss	6	<b>21,371</b>	(16,984)
		<b>38,318</b>	388,143
Decrease in inventories		<b>131,996</b>	261,595
Decrease/(increase) in trade receivables		<b>246,611</b>	(151,549)
(Increase)/decrease in notes receivable		<b>(7,734)</b>	11,889
Decrease/(increase) in prepayments, other receivables and other assets		<b>68,521</b>	(36,878)
(Decrease)/increase in trade and bills payables		<b>(312,565)</b>	32,156
Increase in other payables and accruals		<b>10,572</b>	33,573
(Decrease)/increase in deferred government grant		<b>(1,008)</b>	4,459
Increase in provision for product warranties		<b>636</b>	1,729
Cash generated from operations		<b>175,347</b>	545,117
Chinese Mainland profits tax paid		<b>(16,079)</b>	(17,300)
HK profits tax paid		<b>(176)</b>	–
Overseas profits taxes paid		<b>(1,720)</b>	(1,600)
<b>Net cash flows from operating activities</b>		<b>157,372</b>	526,217

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

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		13,063	16,731
Purchases of items of property, plant and equipment		(23,663)	(46,961)
Addition of intangible assets		(14,199)	(51,446)
Proceeds from disposal of items of property, plant and equipment		9,729	7,936
Proceeds from disposal of financial assets at fair value through profit or loss		-	1,225
Decrease in time deposits		75,208	107,635
Decrease in restricted bank deposits		37,366	27,809
<b>Net cash flows from investing activities</b>		<b>97,504</b>	<b>62,929</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		568,258	678,157
Repayment of bank loans		(464,336)	(1,031,962)
Principal portion of lease payments		(25,918)	(22,670)
Proceeds from exercise of share options		-	29,433
Payment for share repurchase		(1,766)	(53,658)
Interest paid		(13,505)	(30,107)
Dividend paid		(28,148)	(30,556)
<b>Net cash flows from/(used in) financing activities</b>		<b>34,585</b>	<b>(461,363)</b>

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

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>289,461</b>	127,783
Cash and cash equivalents at beginning of period		<b>1,188,457</b>	1,531,669
Effect of foreign exchange rate changes, net		<b>(39,599)</b>	(95,177)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		<b>1,438,319</b>	1,564,275
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>1,432,027</b>	1,492,770
Non-pledged time deposits with original maturity of less than three months when acquired		<b>6,292</b>	71,505
Cash and cash equivalents as stated in the consolidated statement of financial position		<b>1,438,319</b>	1,564,275

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2024

## 1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the Cayman Islands Companies Act.

The head office and principal place of business of the Company is located at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.

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

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

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

30 June 2024

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

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

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

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

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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

30 June 2024

### 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.

Period ended 30 June 2024	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	2,261,115	82,340	2,343,455
Loss before tax	(120,415)	(22,257)	(142,672)
Segment assets	8,139,914	1,019,573	9,159,487
Elimination			(429,251)
Total assets			8,730,236
Segment liabilities	5,061,666	617,048	5,678,714
Elimination			(429,251)
Total liabilities			5,249,463

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

30 June 2024

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

Period ended 30 June 2023	Wireless telecommunications network system equipment and services HK\$'000 (Unaudited)	Operator telecommunication services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	3,144,237	83,952	3,228,189
Profit/(loss) before tax	215,681	(35,812)	179,869
Year ended 31 December 2023			
Segment assets	8,807,674	1,063,009	9,870,683
Elimination			(461,658)
<b>Total assets</b>			<b>9,409,025</b>
Segment liabilities	5,389,546	654,771	6,044,317
Elimination			(461,658)
<b>Total liabilities</b>			<b>5,582,659</b>

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

30 June 2024

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

#### (a) Revenue from external customers

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Chinese Mainland	1,576,903	2,125,601
Other countries/areas in Asia Pacific	291,351	475,562
Americas	309,124	284,957
European Union	152,320	304,206
Middle East	9,596	16,508
Other countries	4,161	21,355
	<b>2,343,455</b>	3,228,189

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

#### (b) Non-current assets

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Chinese Mainland	1,345,952	1,587,032
Lao People's Democratic Republic	815,332	928,331
Other countries/regions	61,712	62,834
	<b>2,222,996</b>	2,578,197

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

30 June 2024

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

Revenue of approximately HK\$426,493,000 (six months ended 30 June 2023: HK\$623,651,000), HK\$293,648,000 (six months ended 30 June 2023: HK\$526,620,000) and HK\$127,338,000 (six months ended 30 June 2023: HK\$212,713,000) was derived from 3 major customers, which accounted for 18.2% (six months ended 30 June 2023: 19.3%), 12.5% (six months ended 30 June 2023: 16.3%) and 5.4% (six months ended 30 June 2023: 6.6%) of the total revenue of the Group, respectively.

### 5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Revenue</b>		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	<b>2,261,115</b>	3,144,237
Provision of operator telecommunication services	<b>82,340</b>	83,952
	<b>2,343,455</b>	3,228,189

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

30 June 2024

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

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Type of customers</b>		
PRC state-owned telecommunication operator groups	1,071,277	1,571,168
Other customers	1,272,178	1,657,021
Total revenue from contracts with customers	2,343,455	3,228,189
	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,261,115	3,144,237
Services transferred over time	82,340	83,952
Total revenue from contracts with customers	2,343,455	3,228,189

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

30 June 2024

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

An analysis of other income and gains is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024 HK\$'000 (Unaudited)</b>	<b>2023 HK\$'000 (Unaudited)</b>
<b>Other income and gains</b>		
Bank interest income	<b>13,063</b>	16,731
Government subsidies <sup>#</sup>	<b>16,560</b>	29,305
Exchange gain, net	<b>25,095</b>	110,059
VAT refunds	<b>1,398</b>	2,352
Gross rental income	<b>6,411</b>	6,469
Gain on fair value change of redeemable preferred shares in a subsidiary	–	387
Gain on equity investment designated at fair value through profit or loss	–	16,984
Scrapped and recycled items sales income	<b>207</b>	512
Penalty income	<b>814</b>	835
Other miscellaneous income	<b>1,684</b>	3,187
	<b>65,232</b>	186,821

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

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

30 June 2024

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

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

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Cost of inventories sold and services provided		1,665,066	2,349,923
Depreciation of property, plant and equipment <sup>#</sup>		69,728	73,497
Depreciation of right-of-use assets		26,487	26,920
Amortization of computer software, technology and operating license <sup>#</sup>		15,385	29,021
Research and development expenses:			
Deferred expenditure amortized		24,857	46,738
Current period expenditure		204,796	167,178
		<b>229,653</b>	213,916
Employee benefit expense (including directors' remuneration):			
Salaries and wages		477,148	429,203
Staff welfare expenses		28,274	19,670
Equity-settled share option expense	16(a)	1,811	5,096
Awarded share expenses	21(c)	13,408	13,445
Pension scheme contributions (defined contribution scheme) <sup>#</sup>		35,279	34,078
		<b>555,920</b>	501,492

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

30 June 2024

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

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

	Notes	For the six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net loss/(gain) on equity investments designated at fair value through profit or loss		21,371	(16,984)
Loss on fair value change of financial assets at fair value through profit or loss		1,439	13,766
Provision for product warranties <sup>^</sup>		5,920	7,499
Write-down of inventories to net realisable value <sup>^</sup>		40,409	17,531
Impairment of trade receivables and notes receivable <sup>##</sup>		48,828	84,980
Reversal of impairment of financial assets included in prepayments, other receivables and other assets <sup>##</sup>		(4,605)	(826)
Loss on disposal of items of property, plant and equipment <sup>###</sup>		4,003	4,739
Loss/(gain) on fair value change of redeemable preferred shares in a subsidiary <sup>###</sup>		2,656	(387)

<sup>^</sup> The provision for product warranties and write-down of inventories to net realizable value for the period were included in "Cost of sales" in the consolidated statement of profit or loss.

<sup>#</sup> As at 30 June 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (as at 30 June 2023: Nil).

<sup>##</sup> The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK\$30,736,000 (six months ended 30 June 2023: HK\$30,662,000) and HK\$11,661,000 (six months ended 30 June 2023: HK\$11,661,000) are included in "Other expenses" in the consolidated statement of profit or loss.

<sup>###</sup> These items are included in "Other expenses" and "Other income and gains" in the consolidated statement of profit or loss, respectively.

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

30 June 2024

### 7. FINANCE COSTS

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on bank borrowings	10,715	27,062
Interest on lease liabilities	2,790	3,045
<b>Total</b>	<b>13,505</b>	<b>30,107</b>

### 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Current – charge for the period		
Hong Kong	2,485	1,566
Chinese Mainland	17,655	37,657
Elsewhere	286	3,366
Current – underprovision in prior periods	383	1,379
Deferred	(6,199)	12,552
<b>Total tax charge for the period</b>	<b>14,610</b>	<b>56,520</b>

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

30 June 2024

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

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

### 9. DIVIDENDS

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Final dividend declared and paid – Nil (2023: 1.1 cent) per ordinary share	–	30,556

Note:

The directors recommended that not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.2 cent per ordinary share).

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

30 June 2024

### 10. (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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,765,753,000 (six months ended 30 June 2023: 2,779,029,000) in issue during the period.

The calculation of the diluted loss/earnings per share amounts is based on the loss/profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss/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 period ended 30 June 2024 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:

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
<b>(Loss)/Earnings</b>		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<b>(158,433)</b>	112,178

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

30 June 2024

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

	<b>Number of shares For the six months ended 30 June</b>	
	<b>2024 (Unaudited)</b>	2023 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic loss/earnings per share calculations	<b>2,765,753,000</b>	2,779,029,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	565,000
	<b>2,765,753,000</b>	2,779,594,000

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

30 June 2024

### 11. INVENTORIES

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000 (Unaudited)</b>	HK\$'000 (Audited)
Raw materials	<b>260,374</b>	296,214
Project materials	<b>27,924</b>	34,494
Work in progress	<b>60,118</b>	58,148
Finished goods	<b>418,992</b>	449,963
Inventories on site	<b>394,190</b>	485,008
	<b>1,161,598</b>	1,323,827

### 12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted with a longer credit term. The balances also include retention money, which is for assurance that the product and services comply with agreed-upon specifications, of approximately 10% to 20% of the total contract sum of each project and are generally receivable after final certification of products by customers, which would be performed 6 to 12 months after sale. The credit terms for major customers are reviewed regularly by senior management of the Group. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. Overdue balances are reviewed regularly by senior management of the Group. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

30 June 2024

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

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

	<b>30 June 2024</b>	31 December 2023
	<b>HK\$'000 (Unaudited)</b>	HK\$'000 (Audited)
Within 3 months	<b>1,159,033</b>	1,503,441
4 to 6 months	<b>373,704</b>	472,277
7 to 12 months	<b>827,302</b>	673,858
More than 1 year	<b>1,604,512</b>	1,610,065
	<b>3,964,551</b>	4,259,641
Provision for impairment	<b>(786,740)</b>	(755,186)
	<b>3,177,811</b>	3,504,455

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

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

30 June 2024

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

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

#### As at 30 June 2024

	Current	Past due		Total	
		Less than 1 year	Over 2 years		
Expected credit loss rate	1.65%	8.00%	20.18%	81.22%	
Gross carrying amount (HK\$'000)	2,371,930	575,203	204,410	813,008	3,964,551
Expected credit losses (HK\$'000)	39,143	45,989	41,256	660,352	786,740

#### As at 31 December 2023

	Current	Past due		Total	
		Less than 1 year	Over 2 years		
Expected credit loss rate	1.49%	6.58%	17.66%	82.60%	
Gross carrying amount (HK\$'000)	2,659,781	654,934	166,369	778,557	4,259,641
Expected credit losses (HK\$'000)	39,620	43,118	29,389	643,059	755,186

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

30 June 2024

**13. TRADE AND BILLS PAYABLES**

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Within 3 months	<b>1,262,575</b>	1,158,694
4 to 6 months	<b>849,703</b>	889,517
7 to 12 months	<b>516,906</b>	759,862
More than 1 year	<b>609,406</b>	826,077
	<b>3,238,590</b>	3,634,150

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

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

30 June 2024

### 14. INTEREST-BEARING BANK BORROWINGS

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Analyzed into:		
Within 1 year or on demand	<b>579,644</b>	707,980
In the 2nd year	<b>312,586</b>	87,961
	<b>892,230</b>	795,941

As at 30 June 2024, loans denominated in Hong Kong dollars and RMB amounted to HK\$60,000,000 (31 December 2023: HK\$230,000,000) and HK\$832,230,000 (31 December 2023: HK\$565,941,000), respectively.

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

During the six months ended 30 June 2024, certain transactions between subsidiaries of the Company were settled by bank bills. Bills are issued through inter-group transactions and the relevant group entities discounted the bills receivables to the bank. The Group had recognised the cash received of HK\$144,043,000 on the transfer of the bills receivables as bank borrowings (31 December 2023: 91,452,000).

Bank loans as at 30 June 2024 bear interest at rates ranging from 1.2% to 6.94% (31 December 2023: from 1% to 8.26%) per annum.

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

30 June 2024

## 15. SHARE CAPITAL

	Notes	Number of ordinary shares of HK\$0.10 each	HK\$'000
Authorized:			
1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024		5,000,000,000	500,000
Issued and fully paid or credited as fully paid:			
As at 1 January 2023		2,780,189,168	278,020
Share option scheme			
– exercise of share options	(i)	25,421,500	2,542
Cancellation of repurchased shares	(ii)	(39,858,000)	(3,986)
As at 31 December 2023 and 1 January 2024		2,765,752,668	276,576
Cancellation of repurchased shares	(iii)	(2,976,000)	(298)
As at 30 June 2024		2,762,776,668	276,278

As at 30 June 2024, the total number of issued ordinary shares of the Company was 2,762,776,668 (31 December 2023: 2,765,752,668) shares which included 16,637,136 (31 December 2023: 16,637,136) shares held under the share award scheme adopted by the shareholders of the Company on 22 May 2023 (the “2023 Share Award Scheme”) as transitioned from the previous share award scheme (the “2011 Share Award Scheme”) which was adopted by the shareholders of the Company on 25 March 2011, renewed on 25 March 2021 and terminated on 22 May 2023 (note 16(b)).

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

30 June 2024

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

Notes:

- (i) During the year ended 31 December 2023, the subscription rights attaching to 25,155,500 share options and 266,000 share options were exercised at the exercise prices of HK\$1.17 per share and HK\$1.30 per share respectively, resulting in the issue of 25,421,500 shares of HK\$0.10 each for a total cash consideration (before expenses) of approximately HK\$29,777,000.
- (ii) During the year ended 31 December 2023, the Company repurchased a total of 39,858,000 shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for an aggregate amount of approximately HK\$59,722,000 (HK\$201,000 expenses was included) ranging from HK\$1.34 to HK\$1.65 per share. All of the repurchased shares of the Company were cancelled during the year ended 31 December 2023.
- (iii) During the six months ended 30 June 2024, the Company repurchased a total of 3,140,000 shares on the Hong Kong Stock Exchange for an aggregate amount of approximately HK\$1,771,000 ranging from HK\$0.51 to HK\$0.63 per share. 2,976,000 of the repurchased shares of the Company were cancelled during the six months ended 30 June 2024, and the remainder will be cancelled subsequent to 30 June 2024.

## 16. SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

### (a) SHARE OPTION SCHEMES

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

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

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme, the 2011 Share Award Scheme (note 16(b)) and any other share schemes of the Company shall not exceed 30% of the shares of the Company in issue at any time. The maximum number of shares issued and to be issued upon exercise of share options granted to each eligible person under the 2013 Share Option Scheme and any other share schemes of the Company (including cancelled, exercised and outstanding share options) in any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

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

30 June 2024

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

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

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

The offer of a grant of share options under the 2013 Share Option Scheme may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$10 in total by the grantee. The exercise period of the share options granted under the 2013 Share Option Scheme is determined by the directors of the Company and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options. Generally, there is no specified minimum period prescribed under the 2013 Share Option Scheme for which share options must be held before they can be exercised in accordance with the terms of the 2013 Share Option Scheme. Please refer to the table below for details on the specific vesting period with respect to the share options granted under the 2013 Share Option Scheme.

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

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

The exercise price of the share options granted under the 2013 Share Option Scheme is determined by the directors of the Company, but shall be at least the higher of: (i) the nominal value of the Company's shares; (ii) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Hong Kong Stock Exchange on the date of offer of the share options; and (iii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of offer of the share options.

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

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

30 June 2024

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

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

Movements in the number of the Company's share options under the 2013 Share Option Scheme during the six months ended 30 June 2024 are as follows:

Name or category of participant	Outstanding as at 1 January 2024	Number of share options					Outstanding as at 30 June 2024	Date of grant of share options <sup>a</sup>	Exercise period of share options	Exercise price of share options HK\$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK\$ per share
		Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled during the period					
<b>Executive directors</b>											
Mr. Fok Tung Ling	-	-	-	-	-	-	-	-	-	-	-
Mr. Zhang Yue Jun	-	-	-	-	-	-	-	-	-	-	-
Mr. Xu Huijun	10,000,000	-	-	(10,000,000)	-	-	-	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-
	4,000,000	-	-	-	-	-	4,000,000	13 Apr 21	13 Apr 22– 12 Apr 26	2.030	-
	14,000,000	-	-	(10,000,000)	-	-	4,000,000				
Mr. Chang Fei Fu	5,000,000	-	-	(5,000,000)	-	-	-	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-
	2,000,000	-	-	-	-	-	2,000,000	13 Apr 21	13 Apr 22– 12 Apr 26	2.030	-
	7,000,000	-	-	(5,000,000)	-	-	2,000,000				
Ms. Huo Xinnu	5,000,000	-	-	(5,000,000)	-	-	-	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-
	2,000,000	-	-	-	-	-	2,000,000	13 Apr 21	13 Apr 22– 12 Apr 26	2.030	-
	7,000,000	-	-	(5,000,000)	-	-	2,000,000				
<b>Non-executive director</b>											
Mr. Wu Tielong (resigned with effect from 22 March 2024)	5,000,000	-	-	(5,000,000)	-	-	-	8 Apr 19	8 Apr 20– 7 Apr 24	1.890	-

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
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30 June 2024

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

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

Movements in the number of the Company's share options under the 2013 Share Option Scheme during the six months ended 30 June 2024 are as follows: (Cont'd)

Name or category of participant	Outstanding as at 1 January 2024	Number of share options					Outstanding as at 30 June 2024	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
		Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled during the period					
Independent non-executive directors											
Ms. Ng Yi Kum	200,000	-	-	(200,000)	-	-	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-	
Ms. Wong Lok Lam	-	-	-	-	-	-	-	-	-	-	
Mr. Chong Chee Keong, Chris	-	-	-	-	-	-	-	-	-	-	
Other employees in aggregate	46,390,500	-	-	(46,390,500)	-	-	8 Apr 19	8 Apr 20–7 Apr 24	1.890	-	
	40,210,000	-	-	-	(400,000)	-	13 Apr 21	13 Apr 22–12 Apr 26	2.030	-	
	86,600,500	-	-	(46,390,500)	(400,000)	-				-	
	119,800,500	-	-	(71,590,500)	(400,000)	-				-	

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

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

30 June 2024

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

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

The expense recognized in the condensed consolidated statement of profit or loss for employee services received during the six months ended 30 June 2024 under the 2013 Share Option Scheme is approximately HK\$1,780,000 (six months ended 30 June 2023: HK\$5,096,000).

At the end of the reporting period, the Company had 47,810,000 share options outstanding under the 2013 Share Option Scheme, of which 35,857,500 were vested and 11,952,500 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 47,810,000 additional ordinary shares of the Company and additional share capital of HK\$4,781,000 and share premium of HK\$92,273,000 (before issue expenses).

As at the date of approval of the condensed consolidated interim financial statements, the Company had 47,810,000 share options outstanding under the 2013 Share Option Scheme, representing approximately 1.73% of the Company's shares in issue as at that date.

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

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

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

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

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

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

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

30 June 2024

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

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

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

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED  
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30 June 2024

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

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

Movements in the number of the Company's share options under the 2023 Share Option Scheme during the six months ended 30 June 2024 are as follows:

Name or category of participant	Number of share options						Outstanding as at 30 June 2024	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
	Outstanding as at 1 January 2024	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	Cancelled during the period					
Directors	-	-	-	-	-	-	-	-	-	-	-
Other employees in aggregate	300,000	-	-	-	-	-	300,000	15 Sep 23	15 Sep 24–14 Sep 28	1.116	-
	300,000	-	-	-	-	-	300,000				-
	300,000	-	-	-	-	-	300,000				-

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

The expense recognized in the condensed consolidated statement of profit or loss for employee services received during six months ended 30 June 2024 under the 2023 Share Option Scheme is approximately HK\$31,000 (six months ended 30 June 2023: nil).

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

30 June 2024

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

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

At the end of the reporting period, the Company had 300,000 share options outstanding under the 2023 Share Option Scheme and all of them 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 300,000 additional ordinary shares of the Company and additional share capital of HK\$30,000 and share premium of HK\$305,000 (before issue expenses).

As at the date of approval of the condensed consolidated interim financial statements, the Company had 300,000 share options outstanding under the 2023 Share Option Scheme, representing approximately 0.01% of the Company's shares in issue as at that date.

#### (b) SHARE AWARD SCHEME

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

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

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

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

The maximum number of shares issued and to be issued in respect of all awards and options granted to each Selected Participant under the 2023 Share Award Scheme and each eligible participant under the 2023 Share Option Scheme respectively (excluding any awards or options lapsed in accordance with the terms of the share schemes of the Company) in any 12-month period (up to and including the date of such grant) is limited to 1% of the shares of the Company in issue at any time. Any further grant of awards in excess of this limit is subject to shareholders' approval in a general meeting. No amount is payable on the acceptance of any award granted under the 2023 Share Award Scheme.

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

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

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

30 June 2024

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

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

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

The vesting period of awards granted under the 2023 Share Award Scheme shall be determined by the Board subject to a minimum period of not less than 12 months.

During the six months ended 30 June 2024, no awarded shares were outstanding, granted, vested, unvested, cancelled or lapsed in accordance with the terms of the 2023 Share Award Scheme.

Taking into account share options granted under the 2013 Share Option Scheme (as refreshed in 2018) and awarded shares granted under the 2011 Share Award Scheme involving issuance of new shares, and the common scheme mandate limit shared by both the 2013 Share Option Scheme and the 2011 Share Award Scheme (i.e. not exceeding 10% of the number of issued shares of the Company as at 28 May 2018), the total number of new shares which may fall to be issued by the Company in connection with share options that may be granted under the 2013 Share Option Scheme and/or awarded shares involving issuance of new shares that may be granted under the 2011 Share Award Scheme as at 1 January 2024 and 30 June 2024 both were nil.

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

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

Taking into account the common scheme mandate limit shared by both the 2023 Share Option Scheme and the 2023 Share Award Scheme (i.e. not exceeding 10% of the number of issued shares of the Company as at 22 May 2023), the total number of new shares which may fall to be issued by the Company in connection with share options that may be granted under the 2023 Share Option Scheme and/or awarded shares involving issuance of new shares that may be granted under the 2023 Share Award Scheme as at 1 January 2024 and 30 June 2024 both were 280,234,466.

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

- (i) the total number of shares available for issue under the 2013 Share Option Scheme and 2011 Share Award Scheme was 47,810,000 shares, representing approximately 1.73% of the Company's issued share capital.
- (ii) the total number of shares available for issue under the 2023 Share Option Scheme and 2023 Share Award Scheme was 280,534,466 shares, representing approximately 10.15% of the Company's issued share capital.

The number of shares that may be issued in respect of options and awards granted under all share schemes of the Company during the six months ended 30 June 2024 divided by the weighted average number of shares in issue for the six months ended 30 June 2024 is zero.

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

30 June 2024

### 17. RESERVES

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

### 18. CONTINGENT LIABILITIES

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Guarantees given to banks in respect of performance bonds	<b>262,922</b>	359,619

### 19. COMMITMENTS

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

	<b>30 June 2024 HK\$'000 (Unaudited)</b>	31 December 2023 HK\$'000 (Audited)
Contracted, but not provided for: Plant and machinery	<b>10,095</b>	8,718

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

30 June 2024

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

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

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

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

As at 30 June 2024 and 31 December 2023, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

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

30 June 2024

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

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2024 and 31 December 2023:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.53 to 8.63 (2023: 1.59 to 11.76)	10% (2023: 10%) increase/decrease in multiple would result in increase/decrease in fair value by HK\$5,137,000 (2023: HK\$2,140,000)
		Discount for lack of marketability	30% (2023: 30%)	10% (2023: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$2,202,000 (2023: HK\$771,000)
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2023: 5%) increase/decrease in fair value per share would result in increase/decrease in fair value by HK\$12,157,000 (2023: HK\$12,306,000)

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

30 June 2024

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

**FAIR VALUE HIERARCHY**

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

**Assets measured at fair value:**

**As at 30 June 2024**

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Financial assets at fair value through profit or loss	-	526	-	526
Equity investments designated at fair value through other comprehensive income	-	-	55,346	55,346
Equity investments designated at fair value through profit or loss	-	-	61,007	61,007
	-	526	116,353	116,879

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

30 June 2024

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

#### FAIR VALUE HIERARCHY (Cont'd)

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

As at 31 December 2023

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (level 1) HK\$'000 (Audited)	Significant observable inputs (level 2) HK\$'000 (Audited)	Significant unobservable inputs (level 3) HK\$'000 (Audited)	
Equity investments designated at fair value through other comprehensive income	–	91,485	13,039	104,524
Financial assets at fair value through profit or loss	–	1,965	–	1,965
Equity investments designated at fair value through profit or loss	–	71,633	12,484	84,117
	–	165,083	25,523	190,606

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

30 June 2024

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

**FAIR VALUE HIERARCHY (Cont'd)**

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

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

	<b>2024 HK\$'000 (Unaudited)</b>	2023 HK\$'000 (Unaudited)
At 1 January	<b>25,523</b>	95,734
Total (losses)/gains recognised in other comprehensive income	<b>(47,194)</b>	598
Total gains recognised in the statement of profit or loss included in other income	<b>(21,371)</b>	7,804
Transfer from Level 2	<b>163,118</b>	–
Exchange realignment	<b>(3,723)</b>	(4,735)
At 30 June	<b>116,353</b>	99,401

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

30 June 2024

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

#### FAIR VALUE HIERARCHY (Cont'd)

#### Liabilities measured at fair value:

As at 30 June 2024

	Fair value measurement using			Total HK\$'000 (Unaudited)
	Quoted prices in active markets (Level 1) HK\$'000 (Unaudited)	Significant observable inputs (Level 2) HK\$'000 (Unaudited)	Significant unobservable inputs (Level 3) HK\$'000 (Unaudited)	
Redeemable preferred shares in a subsidiary	-	-	243,130	243,130

As at 31 December 2023

	Fair value measurement using			Total HK\$'000 (Audited)
	Quoted prices in active markets (level 1) HK\$'000 (Audited)	Significant observable inputs (level 2) HK\$'000 (Audited)	Significant unobservable inputs (level 3) HK\$'000 (Audited)	
Redeemable preferred shares in a subsidiary	-	-	246,117	246,117

During the period, there were no transfers of fair value measurements between Level 1 and Level 2. There was an amount of HK\$163,118,000 transferred from Level 2 to Level 3 for financial assets (six months ended 30 June 2023: Nil).

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

30 June 2024

### 21. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term employee benefits	15,757	7,532
Pension scheme contributions	58	107
Equity-settled share option expense	356	1,175
Awarded share expenses	1,623	1,626
	17,794	10,440

(c) **SHARE INCENTIVE SCHEME**

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

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

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

30 June 2024

### 21. RELATED PARTY TRANSACTIONS (Cont'd)

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

In June 2020, Comba Consulting has set up Xin Han Tong No.2, Xin Han Tong No.7 and Xin Han Tong No.8 (the "Non-G Partnerships") under the Non-G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants under Non-G Partnerships consist of four Directors, five directors of the relevant subsidiaries of the Company, 98 employees of the Group (excluding Comba Network and its subsidiaries, collectively the "Comba Network Group"), and three consultants of the Group (excluding Comba Network Group). Non-G Partnerships purchased certain existing shares of Comba Network from Comba Telecom Systems Limited, a wholly-owned subsidiary of the Company, at the total consideration of RMB57,700,000.

In June 2020, Comba Consulting has also set up Xin Han Tong No.1, Xin Han Tong No.3, Xin Han Tong No.5 and Xin Han Tong No.6 (the "G Partnerships") under the G Limited Partnership agreements to hold the relevant incentive shares for and on behalf of the Selected Participants. Upon the completion of the establishment, the Selected Participants in the G Partnerships consist of one Director, three directors of the relevant subsidiaries of the Company as well as 119 employees of the Comba Network Group. G Partnerships subscribed for and Comba Network issued certain new shares at the total consideration of RMB54,400,000.

## **21. RELATED PARTY TRANSACTIONS (Cont'd)**

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

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

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

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

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

30 June 2024

### 21. RELATED PARTY TRANSACTIONS (Cont'd)

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

Each of the Non-G Partnerships, Existing G Partnerships and New G Partnerships has been accounted for as a subsidiary of the Company and its financial results have been consolidated into the accounts of the Company. As at 30 June 2024, the Non-G Partnerships, Existing G Partnerships and New G Partnerships hold approximately 4.71%, 4.44% and 1.63% of the equity interest of Comba Network, respectively.

The Group had recorded the expenses associated with the shares granted under the Scheme of HK\$13,408,000 in the statement of profit or loss in the first half of 2024.

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

# for identification purpose

### 22. EVENT AFTER THE REPORTING PERIOD

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

### 23. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the Board on 22 August 2024.

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

**Fok Tung Ling**  
Chairman

Hong Kong, 22 August 2024



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