Comba

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

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

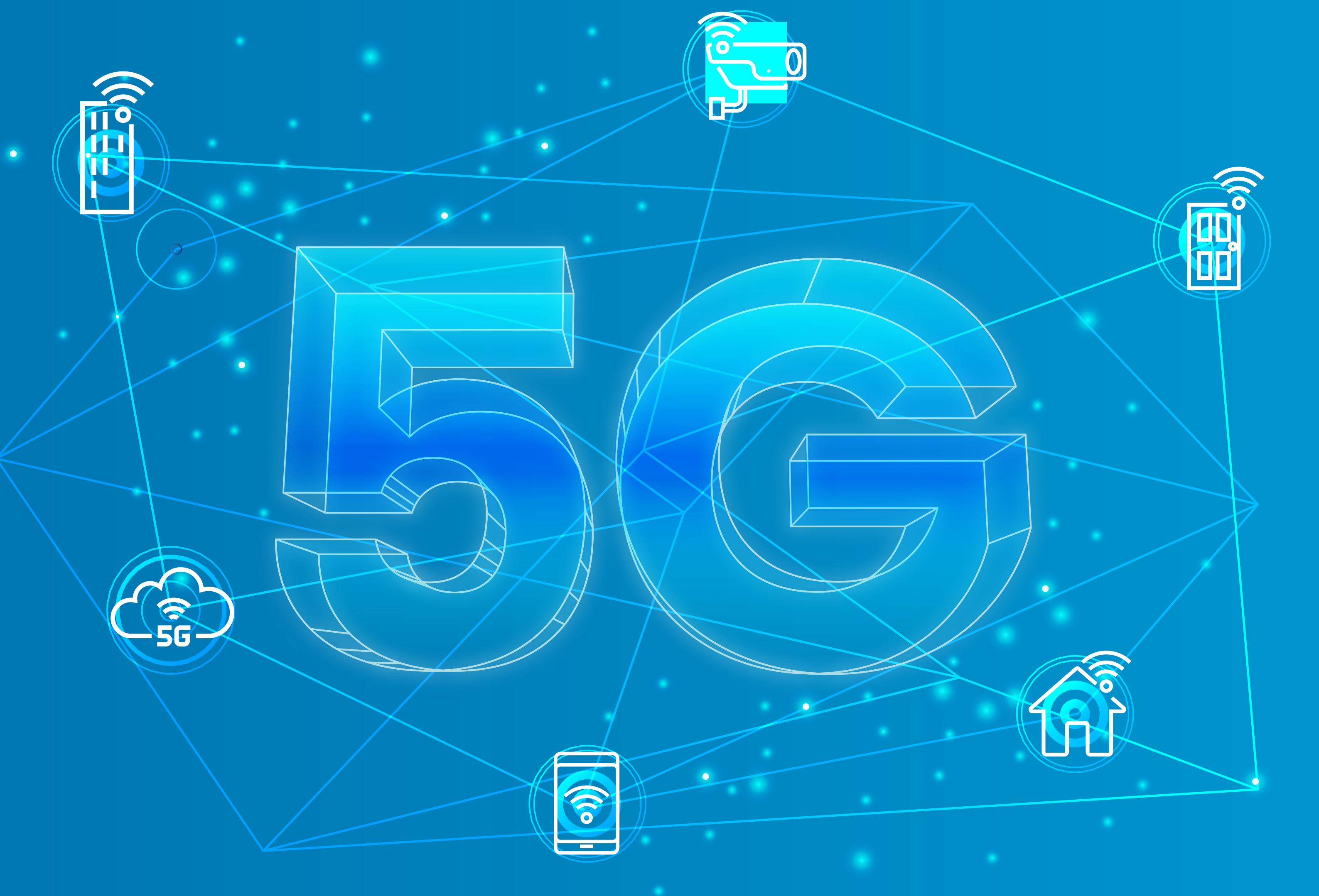
Persistent
繼往開來

Focus
凝心聚力

Innovation
創新發展

Brilliant
再創輝煌

2022年報
ANNUAL REPORT



COMPANY PROFILE
公司概況

The Comba Group was established in 1997, and Comba Telecom Systems Holdings Limited (the "Company"), which is a global leading wireless solutions provider with its own R&D facilities, manufacturing base and sales and service teams, is listed on the Main Board of the Hong Kong Stock Exchange in 2003, as well as listed on the Main Board of the Singapore Exchange Securities Trading Limited in 2023. Leading through innovative technology, the Company offers a comprehensive suite of products and services including base station antenna and subsystems, network products, services and wireless transmission to its global customers.

The Company has established its R&D headquarters based in Guangzhou Science City and has applied approximately 5,600 patents globally. Our global manufacturing base, located in Guangzhou Economic and Technological Development District, covers an area of approximately 80,000 square meters.

The Company has established more than 30 offices in Mainland China and more than 20 overseas offices worldwide, providing products and services in more than 100 countries and regions.

京信集團成立於1997年，京信通信系統控股有限公司(「本公司」)於2003年在香港聯交所主板上市及於2023年在新加坡證券交易所主板上市，是一家全球領先並集研發、生產、銷售及服務於一體的無線解決方案供應商。憑藉創新科技，本公司為全球客戶提供基站天線及子系統、網絡產品、服務、無線傳輸等多元化產品及服務。

本公司在中國廣州科學城設有總部研發基地，已申請國內外專利約5,600項。在中國廣州經濟技術開發區，本公司建有全球生產基地，廠房面積約80,000平方米。

本公司在中國內地設有超過30多家分公司覆蓋整個中國市場，並在海外設有20餘個分支機構，於全球100多個國家和地區開展產品銷售和技術服務。

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Fok Tung Ling *(Chairman)*
Zhang Yue Jun *(Vice Chairman)*
Xu Huijun *(President)*
Chang Fei Fu
Huo Xinru
Bu Binlong (resigned with effect from 24 March 2023)

Non-Executive Director

Wu Tielong

Independent Non-Executive Directors

Lau Siu Ki, Kevin
Ng Yi Kum
Wong Lok Lam
Lin Jin Tong (resigned with effect from 24 March 2023)

COMPANY SECRETARY

Chan Siu Man

AUDIT COMMITTEE

Ng Yi Kum *(Chairman)* (appointed as Chairman with effect from 24 March 2023)
Lau Siu Ki, Kevin (resigned as Chairman with effect from 24 March 2023)
Wong Lok Lam
Lin Jin Tong (resigned with effect from 24 March 2023)

NOMINATION COMMITTEE

Wong Lok Lam *(Chairman)* (appointed as Chairman with effect from 24 March 2023)
Lau Siu Ki, Kevin
Ng Yi Kum
Lin Jin Tong (resigned with effect from 24 March 2023)

REMUNERATION COMMITTEE

Lau Siu Ki, Kevin *(Chairman)*
Ng Yi Kum
Wong Lok Lam
Lin Jin Tong (resigned with effect from 24 March 2023)

AUTHORIZED REPRESENTATIVES

Fok Tung Ling
Chang Fei Fu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 611
Building 8W
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong
(Change of building name with effect from 4 September 2022)

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

CORPORATE INFORMATION

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

PRINCIPAL BANKERS

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

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

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

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

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

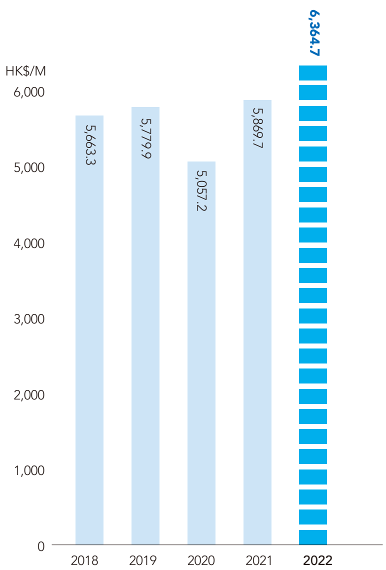
Industrial and Commercial Bank of China Limited
GETD District Sub-branch
No. 2 Xiangxue Road
Kaichuang High Road North
Guangzhou Science City Luogang District
Guangzhou PRC

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

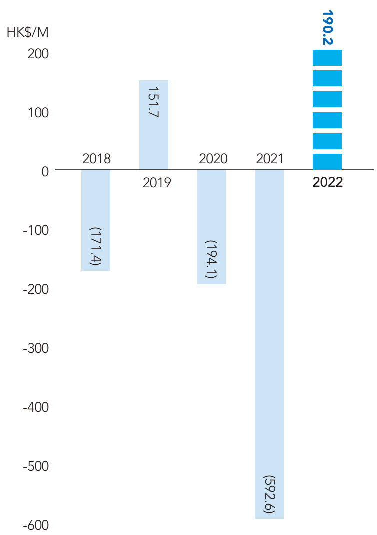
Agricultural Bank of China
Guangzhou Beixiu Sub-branch
No 133 Xiaobei Road
Yuexiu District
Guangzhou PRC

FINANCIAL SUMMARY

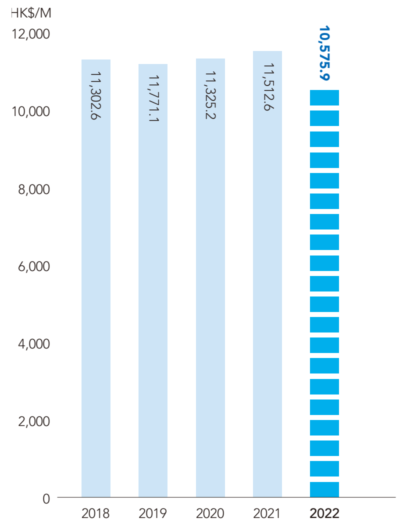
REVENUE



PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE PARENT

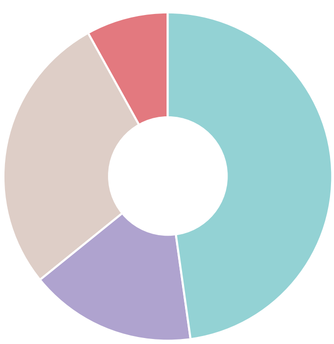


TOTAL ASSETS



REVENUE BREAKDOWN BY BUSINESSES

▲/▼ = YoY change



▲ 25.8% Base Station Antennas and Subsystems
47.8%

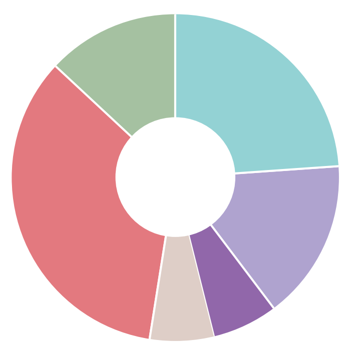
▲ 3.1% Services
27.7%

▼ 15.9% Network Systems
16.5%

▲ 3.8% Wireless Transmission & Others
8.0%

REVENUE BREAKDOWN BY CUSTOMERS

▲/▼ = YoY change



▲ 0.3% China Mobile
24.0%

▲ 105.2% China Unicom
15.9%

▼ 29.7% China Telecom
6.4%

▼ 5.0% China Tower
6.4%

▲ 9.6% International Customers & Core Equipment Manufacturers
34.3%

▼ 2.7% Others
13.0%

FINANCIAL SUMMARY

For the year ended 31 December	2022 HK$'000	2021 HK$'000	Change
Revenue	6,364,677	5,869,666	495,011
Gross profit	1,873,531	1,422,831	450,700
Gross profit margin	29.4%	24.2%	5.2 pp
Operating profit/(loss)	351,434	(619,664)	971,098
Profit/(loss) attributable to owners of the parent	190,237	(592,567)	782,804
Net profit/(loss) margin	3.0%	(10.1%)	13.1 pp
Basic profit/(loss) per share (HK cents)	6.84	(21.43)	28.27

KEY FINANCIAL FIGURES

As at 31 December	2022 HK$'000	2021 HK$'000	Change
Total assets	10,575,862	11,512,579	(8.1%)
Net assets (before non-controlling interest)	3,728,305	3,774,716	(1.2%)
Net assets value per share (HK dollars)	1.34	1.36	(1.5%)
Net cash	781,852	844,137	(7.4%)
Inventory turnover days	114	108	6 days
A/R turnover days	229	257	(28) days
A/P turnover days	349	352	(3) days
Return on average equity	12.7%	(15.0%)	27.7 pp
Gross gearing ratio	5.1%	12.5%	(7.4) pp

CORPORATE MILESTONE 2022

Comba granted the approval for the secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited in 2022 and officially quoted and listed under the stock code “STC” effective from 4 January 2023

Launched low-loss, high-efficiency and low-carbon green antenna (Helifeed™), innovative green antenna and subsystem to build low-carbon networks

Comba Intelligent Technology launched the smart heavy-duty forklift truck AGV, expanding the application scenarios in the industry

Launched the industry’s first Luneburg lens antenna solution for marine communication coverage to promote the building of high-quality 5G marine communication networks

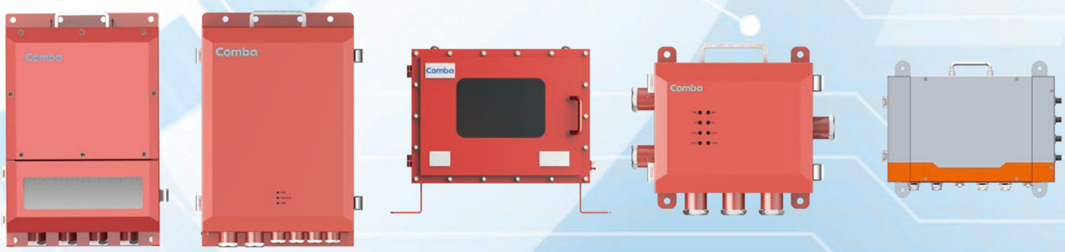
Launched the industry’s first 5G cloud industrial base station for industry jointly with China Mobile and other companies

Comba 5G CPE product won the international iF Design Award

The patent of the "Heterodyne Isolated Broadband Dual-band Base Station Antenna Array" won the Silver Prize of the 23rd China Patent Award

Won the bid successfully in the first round of picocell centralized procurement. Comba Network won the bid for 5G distributed picocell centralized procurement project of China Mobile in the 1st place

Won the bid for base station antenna centralized procurement project of China Unicom in the 1st place in 2022, setting a new record for the highest bid winning amount of Comba Telecom among the domestic operators' winning bids of centralized base station antenna procurement projects



Comba Network was selected as 5G AIA's "Recommended List of 5G Application Solution Providers" (shortlisted areas covering 18 industries)

CHAIRMAN'S STATEMENT

On behalf of Comba Telecom Systems Holdings Limited (the "Company"), I present to the shareholders the annual report of the Company and its subsidiaries ("Comba Telecom" or the "Group") for the year ended 31 December 2022 (the "Current Year").

The year 2022 was a fruitful year for Comba Telecom resulted from its aggressive endeavors and dedications. Benefited from the continuous development of global 5G network construction, the Group, including its subsidiaries, has witnessed overall business growth. During the Current Year, revenue generated from the Group increased by 8.4% over the year ended 31 December 2021 (the "Prior Year") to HK$6,364,677,000; profit attributable to shareholders turned around to HK$190,237,000 from the loss of the

Prior Year. In particular, the Group won the centralized procurement bidding projects for 5G antenna products from major PRC telecom operators during the Current Year, thus the revenue from base station antenna and subsystems hit a historical high. With the expanding overseas business, the Group continued to strengthen the 5G cooperation with internationally-renowned core equipment manufacturers, thereby maintaining its position as the leading supplier. In addition, attributable to the notably effective expenses control of the Group, its total operating expenses for the Current Year decreased by nearly HK$520,399,000 from the Prior Year, representing a decrease of 25.5%.

Meanwhile, the Group has been granted the approval for the secondary listing ("Secondary Listing") on the Main Board of the Singapore Exchange Securities Trading Limited and officially quoted and listed under the stock code "STC" effective from 4 January 2023. The Group believed that Secondary Listing will broaden the Company's shareholder base as well as its fundraising channels in the future, which is in turn conducive to the promotion of global business and enhancement of the liquidity of its securities in the longer run.

In appreciation of the long-term support from shareholders, the board of directors (the "Board") of the Group proposed a final dividend of HK1.1 cent per ordinary share. Together with the interim dividend of HK1.0 cent per ordinary share already paid, the total dividend of the Company for the Current Year may reach HK2.1 cent per ordinary share, subject to the passing of relevant resolutions at the annual general meeting.

Leveraging the strong product strengths and sound communication with customers, the Company achieved satisfactory results for its businesses during the Current Year. In terms of base station antenna business, the Group completed the development of new 700MHz, 900MHz, 2.1GHz and 3.5GHz antenna products required for 5GNR construction, and developed the cavity AFU and A+P antenna in strategic cooperation with the core equipment vendors. In response to the demand for low-carbon and green network construction of global operators, the Company developed the industry's first FPTP design concept and product structure, and launched a variety of low-loss high-efficiency low-carbon green antennas. On the business side, the Group continued to maintain its leading position in terms of market share among China's domestic operators. Regarding overseas business, with continuous consolidation of the cooperation with internationally-renowned core equipment suppliers, the Group has witnessed a significant growth of business in certain regions such as Asia Pacific, Europe and Middle East. In terms of network systems business, the Group continued to scale up its R&D investments in relation to the 5G technology and products and maintain the lead with competitive edges in 5G small cell technology, through which it achieved progressive and significant results. It released the industry's first cloud-network-computing-business integrated solution, and collaborated with its partner, China Mobile, to launch the first industrial base station in the industry. The industry-leading indoor coverage system product with ultra-wideband and ultra-high integration was launched, and the Comba 5G CPE product was awarded the International iF Design Award. Furthermore, the Group simultaneously won two bidding sets of the procurement project of China Mobile's 5G extended pico base station with the outstanding No.1 ranking in terms of overall strength. The Group's overseas indoor coverage business witnessed promising improvements, while breakthrough has been achieved in the Open RAN business, including the commencement of in-depth cooperation with mainstream global operators and integrators at full steam.

During the Current Year, the Group proactively carried out relevant R&D on the evolution, application and development of communication technology, and won numerous awards from authoritative organizations and industry associations. At the 23rd China Patent Award, the Group won the Silver Award with a patent. It also received the Golden Prize and the Excellence Award of the 9th Guangdong Patent Award with two other patents, respectively, as well as the First Prize at the Guangdong Province Electronic Information Science and Technology Award 2022 with a project.

In 2023, it is expected that the more complex and volatile external macro environment, rising competition in information and telecommunication industry as well as accelerating technological evolution and industrial reform will present both opportunities and challenges to the industry and the Group. The Group will continue to adhere to its business strategy of "External Development with Innovations and Internal Cost Control for Sustainability (開拓創新謀發展，內控節流護遠航)". In addition to consolidating its existing operation results, the Group will continue to proactively engage in the development of and the research on advanced technologies and innovative products in the post-5G era so as to consistently provide green and low-carbon products and services with high cost efficiency to customers across the globe. It will also continue to implement effective operation and management policies as well as cost control measures to forge ahead and in an effort to create value for the shareholders and customers as a whole.

Lastly, on behalf of the Board, I would also like to express my sincere gratitude to the shareholders, clients and business partners for their continuing support and trust and to all of our employees for their dedicated efforts.

Fok Tung Ling
Chairman
Hong Kong

23 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

REVENUE

Comba Telecom Systems Holdings Limited (the "Company" or "Comba Telecom") and its subsidiaries (collectively referred to as the "Group") reported revenue amounting to HK$6,364,677,000 (2021: HK$5,869,666,000) for the year ended 31 December 2022 (the "Current Year"), representing an increase of 8.4% over the year ended 31 December 2021 (the "Prior Year"). The increase in revenue was mainly attributable to the Group's remarkable success in tenders for centralized procurement of various antenna products in Mainland China and the completion of international tender projects of antenna products as scheduled, which contributed to a significant growth in the number of orders, which achieved record high, of base station antenna products during the Current Year, as compared to the corresponding period last year.

By Customers

During the Current Year, revenue generated from China Mobile Communications Corporation and its subsidiaries (collectively referred to as "China Mobile Group") was HK$1,525,814,000 (2021: HK$1,520,754,000), representing an increase of 0.3% over the Prior Year, accounting for 24.0% of the Group's revenue in the Current Year, compared with 25.9% in the Prior Year.

During the Current Year, revenue generated from China United Network Communications Group Company Limited and its subsidiaries (collectively referred to as "China Unicom Group") increased by 105.2% over the Prior Year to HK$1,011,757,000 (2021: HK$493,095,000), accounting for 15.9% of the Group's revenue in the Current Year, compared with 8.4% in the Prior Year.

During the Current Year, revenue generated from China Telecommunications Corporation and its subsidiaries (collectively referred to as "China Telecom Group") decreased by 29.7% over the Prior Year to HK$406,004,000 (2021: HK$577,141,000), accounting for 6.4% of the Group's revenue in the Current Year, compared with 9.8% in the Prior Year.

During the Current Year, revenue from China Tower Corporation Limited ("China Tower") decreased by 5.0% to HK$404,953,000 (2021: HK$426,244,000) as compared with the Prior Year, and represented 6.4% of the Group's revenue in the Current Year, compared with 7.3% in the Prior Year.

During the Current Year, revenue from other China's domestic customers increased by 4.4% to HK$671,615,000 (2021: HK$643,514,000) and represented 10.6% (2021: 11.0%) of the Group's revenue.

On the international front, revenue generated from international customers and core equipment manufacturers increased by 9.3% in aggregate to HK$2,183,885,000 (2021: HK$1,997,497,000) for the Current Year, accounting for 34.3% (2021: 34.0%) of the Group's revenue in the Current Year. The main reason for the increase was the expansion of the Group's overseas business during the Current Year, in particular, satisfactory results have been achieved in the sales of base station antenna products.

During the Current Year, revenue from ETL Company Limited ("ETL"), a middle and small-sized operator in Laos and a non-wholly-owned subsidiary of the Group, dropped by 24.0% to HK$160,649,000 (2021: HK$211,422,000), accounting for 2.5% (2021: 3.6%) of the Group's revenue in the Current Year. The decrease in revenue was mainly due to the depreciation in the exchange rate for Lao Kip against Hong Kong dollars of approximately 30% during the Current Year.

By Businesses

During the Current Year, revenue from the base station antennas and subsystems business increased by 25.8% over the Prior Year to HK$3,038,957,000 (2021: HK$2,416,328,000), accounting for 47.8% (2021: 41.2%) of the Group's revenue in the Current Year. The increase in revenue was mainly attributable to the fact that the Group acquired the centralized procurement projects of various 5G antenna products of major Chinese telecom operators and completed the phrasal launch and delivery of the international tender projects of antenna products as scheduled, which contributed to a significant growth in the number of orders of base station antenna products as compared to the Prior Year.

During the Current Year, revenue generated from the network system business decreased by 15.9% over the Prior Year to HK$1,050,111,000 (2021: HK$1,248,949,000), accounting for 16.5% (2021: 21.3%) of the Group's revenue. The decrease in revenue was mainly attributable to the delay in the launch and implementation of centralized procurement projects for 5G extended small cells by major Mainland China telecom operators due to the COVID-19 pandemic, as well as the effect of discontinuation by the Group voluntarily of its rail transit integration business with lower gross profit so as to focus on projects with higher quality and control costs. The management expects that with the centralized procurement of related projects commencing and delivering in 2023, its network system product business will thrive in the future.

During the Current Year, revenue from services increased by 3.1% over the Prior Year to HK$1,756,437,000 (2021: HK$1,704,335,000), accounting for 27.7% (2021: 29.0%) of the Group's revenue. This increase in revenue was mainly due to the Group's focus on investing resources in projects with higher revenue and gross profit margin during the Current Year in line with its strategy to focus on construction projects of higher quality.

GROSS PROFIT

During the Current Year, the Group's gross profit increased by 31.7% to HK$1,873,531,000 (2021: HK$1,422,831,000) as compared with the Prior Year. The gross profit margin was 29.4% in the Current Year (2021: 24.2%), up by 5.2 percentage points as compared with the Prior Year. The increase in gross profit and gross profit margin was mainly benefitted from the optimization of revenue structure of the Group's products during the Current Year with increased revenue from core products yielding higher gross profit and hence achieving economies of scale, coupled with the reduction in costs of production as a result of the optimization of the production system through research and development in design.

RESEARCH AND DEVELOPMENT ("R&D") EXPENSES

During the Current Year, R&D expenses decreased by 15.3% over the Prior Year to HK$515,798,000 (2021:HK$608,940,000), representing 8.1% (2021: 10.4%) of the Group's revenue. However, the Group has successfully reduced the R&D expenses to a reasonable percentage of revenue for the Current Year. As 5G technology enters the stage of in-depth development, the prospects of new application scenarios and models are promising. In order to sharpen the competitiveness of its new 5G products, there is a strong need for the Group to promote innovation continuously and make successive 5G-related R&D investments to capture business opportunities amidst the digitalization of the mobile telecommunications industry.

SELLING AND DISTRIBUTION ("S&D") EXPENSES

During the Current Year, S&D expenses decreased by 5.3% over the Prior Year to HK$565,904,000 (2021: HK$597,546,000), representing 8.9% (2021: 10.2%) of the Group's revenue. The decrease in S&D expenses was mainly due to the Group's strategy of upgrading its business expansion to focus on more profitable projects, thereby making its investment in resources more cost-effective.

ADMINISTRATIVE EXPENSES

During the Current Year, administrative expenses decreased significantly by 17.9% over the Prior Year to HK$493,411,000 (2021: HK$601,073,000), representing 7.8% (2021: 10.2%) of the Group's revenue. The decrease in administrative expenses mainly benefited from the strategy of optimizing the Group's organizational management structure on an ongoing basis, which enhanced the operational efficiency of the Company.

FINANCE COSTS

During the Current Year, finance costs increased by 37.6% to HK$60,198,000 (2021: HK$43,761,000) as compared with the Prior Year, representing 0.9% (2021: 0.7%) of the Group's revenue. The increase in finance costs was mainly attributable to the increase in interests as a result of the market interest rate hike during the Current Year.

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

In addition, the management has leveraged the difference between interest rate and foreign exchange rate among different countries to minimize finance costs. As at 31 December 2022, the gearing ratio of the Group, defined as total interest-bearing bank borrowings divided by total assets, was 12.7% compared with the gearing ratio of 12.5% as at 31 December 2021.

OTHER EXPENSES

During the Current Year, other expenses decreased significantly by 57.2% over the Prior Year to HK$183,504,000 (2021: HK$428,256,000), representing 2.9% (2021: 7.3%) of the Group's revenue. The significant decrease in other expenses was mainly due to the decrease in impairment of receivables of the Group during the Current Year.

TAX

During the Current Year, the Group's overall taxation charge amounted to HK$153,558,000 (2021: HK$16,100,000), which comprised an income tax expense of HK$5,850,000 (2021: HK$19,912,000) and a deferred income tax expense of HK$147,708,000 (2021: deferred tax credit of HK$3,812,000). The increase in overall taxation charge was mainly due to the decrease of deferred tax assets as sufficient profits would not be able to be generated in the foreseeable future to utilize those tax losses.

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

NET PROFIT/LOSS

In summary, due to the significant increases in revenue and gross profit of the Group for the Current Year, as well as the reduction in the operating expenses ratio resulting from effective cost and expenses control measures implemented by the Group, overall efficiency has substantially increased; and the profit attributable to owners of the parent of the Group amounted to HK$190,237,000 (loss in 2021: HK$592,567,000).

During the Current Year, the EBITDA from ETL (51% owned subsidiary of the Group) was HK$122,000 while the EBITDA from ETL in the Prior Year was HK$34,627,000.

DIVIDEND

Given the Group's operating results in the Current Year and considering its long-term future development and the interests of the shareholders (the "Shareholders") of the Company, particularly those of minority Shareholders, the board (the "Board") of directors (the "Director(s)") of the Company proposes the payment of a final dividend for the Current Year of HK1.1 cent per ordinary share (2021: nil). Together with the interim dividend of HK1.0 cent per ordinary share (2021 interim: nil), the total dividend for the Current Year may amount to HK2.1 cent per ordinary share (2021: nil). The total dividend payout ratio, calculated on the basis of the total dividend proposed for the Current Year as divided by basic earnings per Share, is 30.7% (2021: N/A).

The relevant resolution(s) for approving the payment of the final dividend will be proposed at the annual general meeting to be held on 22 May 2023 and if duly passed by Shareholders, the cheques for the payment of dividend will be dispatched on 19 June 2023.

PROSPECTS

In 2023, while various countries and regions around the world improve their 5G infrastructure gradually, the three major telecom operators in Mainland China are actively pushing forward the strategy of shifting the focus of the development of fundamental networks from extensive coverage to in-depth coverage. As one of the Group's core features is the provision of scenario-based and highly cost effective solutions, we believe that the development of in-depth coverage by the operators will bring about more business opportunities for the Group, enabling the Group to cater to the demands of different customers and firmly seize the opportunities arising from the development of 5G networks by the operators.

PRODUCTS AND SOLUTIONS

BASE STATION ANTENNA AND SUBSYSTEMS

Leveraging its extensive experience in mobile telecommunication network construction and its superior technology in integrating and miniaturising multifrequency and multi-system convergent antennae developed over many years, the Group has long enjoyed a leadership position in the base station antenna market. Widely recognized by numerous telecommunication network operators, equipment manufacturers and integrators in Mainland China and overseas, its antenna business has a presence in more than 100 countries and regions globally.

Targeting the demands for low-carbon and environmental protection around the world and with a view to effectively lower the operation costs of operators, the Group has launched the new generation of "green antenna solution" through research, development and design of innovative materials, process and production modes to support application scenarios of green and low-carbon network construction, including compacity and wide coverage, as well as coverage in cities along the high speed railway and sea routes. The innovative low-loss high-efficiency low-carbon green antenna (Helifeed™) adopts the industry's first FPTP design concept and product structure and introduces advanced coating processes and new environmental materials of antenna radome. Operators are expected to be able to save around 23 to 34 million kWh of electricity annually for every ten-thousand base stations, representing an 13,000 to 20,000-tonne reduction in carbon emissions, which effectively realised the goals of carbon emission reduction and helped operators to reduce their operating expenses.

NETWORK PRODUCT SYSTEM SOLUTIONS

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

As a pioneer in small cells in the industry, Comba Network has conducted independent research on radio-frequency products, such as remote radio unit (RRU), and small cells for over 20 years and 15 years, respectively. It possesses all professional key and core technologies for mobile telecommunications with fully-independent R&D capabilities for and extensive experience accumulated in relation to software and hardware that meet the universal specifications for 4G/5G network access. Its diverse product mix has the necessary capacity and depth to cover all mobile telecommunication applications for high-power cells, micro cells, pico cells and femto cells. By offering in-depth coverage in cities and extensive coverage in rural areas, it provides highly cost-efficient and competitive products and solutions. Commercial trials of 5G small cell products have been commenced in more than ten provinces in Mainland China. The value and advantages of our rapid and high-efficiency 5G network construction plans are well recognized by customers. Pursuant to the requirements of the national planning under the Outline of the 14^{th} Five-Year Plan and the implementation of the rural revitalization strategy, it is expected better results will be achieved in realising 5G coverage in rural areas than offering 4G general services in rural areas, and the small cell products will gradually achieve the mass sales in 2023. Moreover, in August 2022, the Group achieved a satisfactory result in the centralized procurement of 5G pico cells for China Mobile. In addition, the Group will actively participate in the centralized procurement of small cells in the future.

In the area of Open RAN, drawing on years of experience in the design, development and deployment of radio frequency-related products for mobile telecommunications, Comba Network launched its standardized, platform-based high-powered RRU (Open RAN RRU) product series that supports advanced technologies such as multi-carrier, multi-mode, high-efficiency and high-capacity technology. This product series adopts ORAN Alliance's 7.2x standard fronthaul interface connection, which establishes the inter-connection and compatibility with globally advanced base-band manufacturers. Furthermore, Comba Network has entered into strategic partnerships with industry-leading integrators. During the Current Year, Comba Network launched the industry's first dual-frequency and tri-frequency multi-mode Open RAN RRU, and introduced enhanced software functions to support NB-IoT/LTE-M and multi-mode communication, thereby leading technology innovation in the sector. With their outstanding indicators and stable functional performance, the nine high power RRUs launched by Comba Network were accredited with TIP bronze medal in the Current Year. ORAN has introduced a highly efficient technical structure comprising general-purpose processing hardware and decoupling technology for software and hardware. This enables more open applications for commercial use and satisfies the demands of operators for new network construction and maintenance of existing networks in the era of 4G/5G co-existence, hence suggesting great market potential and a continuously promising macro-environment of the industry.

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

MARKET EXPANSION

OPERATOR BUSINESS IN MAINLAND CHINA

Three major telecom domestic operators in Mainland China will continue to build and deploy low- and medium-band networks for 5G macro cells. They will promote the sustainable development of multi-frequency spectrum, multi-mode, co-constructed and shared technology, thereby raising the technological entry barrier of their products. In response to the national low-carbon and environmental protection strategy and the low-cost network construction philosophy of the operators, the Group innovatively proposed the low-loss high-efficiency low-carbon green antenna and integrated high-power cell remote coverage solution and achieved major technological breakthroughs in product development through R&D investments. Leveraging its leading product competitiveness and comprehensive strengths in services, the Group has successfully won the bid for antenna product projects from certain major telecom operators in Mainland China and gained considerable market shares since the second half of 2021. The Group is also actively planning for centralized procurement bidding for antenna products in the future.

In respect of broad indoor coverage, large-scale construction projects have been launched by China’s domestic operators successively and it is believed that the number of construction projects will increase in 2023. Both the Group’s active indoor coverage network and equipment products and passive indoor coverage antenna and subsystem products achieved satisfactory results in centralized procurement projects. The Group will continue to give full rein to its technological R&D strengths which were developed over many years. It will also provide comprehensive support for customers of its indoor coverage business.

INTERNATIONAL BUSINESS

The Group’s international marketing platform is expanding into overseas markets by actively exploring customer needs, developing target markets, creating new products and maintaining the competitiveness of its products. The Group achieved satisfactory results in its international business during the Current Year by capitalizing on its comprehensive strengths in products and technology. The Group will continue to partner with international mobile operators and world-leading manufacturers of core telecom equipment to construct networks in key regions. Aside from offering advanced 5G application solutions to customers globally, it will tap into the massive demand for 4G network construction in various countries and regions with unbalanced network development, thereby strengthening its global market position. At the same time, the Group will continue to expand the Open RAN ecosystem, seek strategic partners, explore new sales channels and conduct joint product R&D to grow its Open RAN business.

NEW BUSINESS

The three major applications for 5G – enhancing mobile broadband, large-scale internet of things, and ultra-reliable and low-latency communications – will transform current production modes and everyday lifestyles in the coming years. During the Current Year, the Group continued to explore areas such as "5G + vertical industry applications" and promoted the integration of 5G technology with various aspects of intelligent manufacturing, including intelligent workshops, flexible production lines, and intelligent machines. For example, the Group made technological advances in the "5G + Mobile Robot" product series, established the AGV mainstream car model series, and initiated related pilot projects. Looking ahead, the Group will develop relevant innovative businesses in a bid to contribute to its business growth.

CONCLUSION

While consolidating its existing operation achievements, the Group will continue to strengthen its research and development capabilities, as well as improve product quality and service level. It will also continuously provide global customers with green, low-carbon and cost-effective products and services so as to satisfy their demands.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances for its operations from cash flows generated internally and bank borrowings. As at 31 December 2022, the Group had net current assets of HK$2,100,202,000. The current assets of the Group as at 31 December 2022 comprised inventories of HK$1,447,911,000, trade receivables of HK$3,862,632,000, notes receivable of HK$112,574,000, prepayments, other receivables and other assets of HK$430,572,000, financial assets at fair value through profit or loss of HK$17,500,000, restricted bank deposits of HK$101,056,000, time deposits of HK$113,181,000 and cash and cash equivalents of HK$1,531,669,000. The current liabilities of the Group as at 31 December 2022 comprised trade and bills payables of HK$4,051,703,000, other payables and accruals of HK$571,506,000, interest-bearing bank borrowings of HK$751,993,000, tax payable of HK$71,407,000 and provision for product warranties of HK$70,284,000.

The average receivable (after loss allowance for impairment of trade receivables) turnover for the Current Year was 229 days compared to 257 days for the Prior Year. The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 months, except for certain customers which are granted 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 Year was 349 days compared to 352 days for the Prior Year. The average inventory turnover for the Current Year was 114 days compared to 108 days for the Prior Year.

As at 31 December 2022, the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and United States dollars while the Group's bank borrowings were mainly denominated in Renminbi and Hong Kong dollars. The interest rates on the Group's bank borrowings are principally on a floating basis at prevailing market rates.

In addition to the short-term interest-bearing facilities, the Group entered into 3-year term loan facility agreements with certain financial institutions in 2021. Details of the Group's bank borrowings are set out in note 26 to the consolidated financial statements.

The Group's revenue and expenses, assets and liabilities are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 31 December 2022, the Group has outstanding non-deliverable foreign currency option contracts in respect of Renminbi and Indian Rupee with notional amount of RMB250,000,000 and US$16,000,000 respectively (31 December 2021: non-deliverable foreign currency option contracts in respect of Renminbi, Indian Rupee and Thai Baht with notional amount of RMB175,000,000, US$10,000,000 and US$4,000,000 respectively).

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

The Group's gross gearing ratio, defined as total interest-bearing bank borrowings divided by total assets, was 12.7% as at 31 December 2022 (31 December 2021: 12.5%).

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

USE OF PROCEEDS

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

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

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

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

As at 31 December 2022, approximately HK$105,404,000 of the net proceeds from the Placing remained unutilized. As disclosed in the Company's 2021 annual report, the previous expected timeline for utilizing the residual amount of net proceeds from the Placing and Subscription was 30 June 2023. Taking into account the continued impact of the outbreak of COVID-19 pandemic and the economic downturn experienced during the Current Year, 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 investment on 5G technologies R&D and 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.

As at 31 December 2022, details of the amount of the utilized and unutilized said net proceeds are set out as follows:

Net proceeds raised HK$'000	Intended use of the net proceeds	Amounts utilized as at 31 December 2021 HK$'000	Amounts utilized during the Current Year HK$'000	Amounts unutilized as at 31 December 2022 HK$'000	Expected timeline for utilizing the residual amount of net proceeds*
515,390	(a) R&D of 5G small cells and Open RAN, 5G antenna development and filter, and development of 5G+ vertical applications	310,118	150,364	54,908	by 30 June 2024
170,845	(b) expansion of production capacity, focusing on the production of 5G small cells and antenna products	104,826	15,523	50,496	by 30 June 2024
686,235		414,944	165,887	105,404	

* 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.

RESTRICTED BANK DEPOSITS

Deposit balances of HK$128,134,000 (31 December 2021: HK$134,095,000) represented the restricted deposits given to banks in respect of bills payable and performance bonds.

CONTINGENT LIABILITIES

As at 31 December 2022, the Group had contingent liabilities of HK$293,460,000 (31 December 2021: HK$276,836,000), which mainly included guarantees given to banks in respect of performance bonds.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had approximately 5,300 staffs, out of which 1,300 staffs were from ETL (31 December 2021: 5,500 staffs, out of which 1,300 staffs were from ETL). The total staff costs, excluding capitalized development cost, for the Current Year were HK$1,109,052,000 (31 December 2021: HK$1,221,813,000). 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 option scheme, share award scheme and share incentive scheme of the Group. Mandatory provident fund or staff pension schemes are also provided to relevant staffs in Hong Kong, the Mainland China or elsewhere in accordance with relevant legal requirements in such jurisdictions. The Group also provides training to the staffs to improve their skills and develop their respective expertise. The remuneration committee of the Company advised and recommended to the Board on the remuneration policy for all Directors and senior management of the Group.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Fok Tung Ling (霍東齡), aged 66, is one of the founders of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). He is the chairman (the "Chairman") of the board of directors (the "Board") and the authorized representative of the Company. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director of such subsidiaries. Mr. Fok is primarily responsible for leading the Board in determining the directions of the Group's overall strategies and business development. From 1982 to 1987, Mr. Fok worked as a technical engineer in the Microwave Telecommunications Main Station of the Guangdong Bureau of Post and Telecommunications (廣東省郵電局微波通信總站). In 1986, he graduated from Beijing Institute of Posts and Telecommunications (北京郵電學院) (currently known as Beijing University of Posts and Telecommunications (北京郵電大學) ("BUPT")), majoring in microwave communications. Prior to 1991, Mr. Fok worked as a marketing executive in China National Electronics Import & Export Corporation, South China Branch (中國電子進出口有限公司華南分公司) which was engaged in the import and export of electronic products. From 1991 to 1997, he was engaged in the trading of telecommunications and electronic equipment and components before co-founding the Group in 1997. Mr. Fok has over 41 years of experience in wireless communications. He is the sole director and shareholder of Prime Choice Investments Limited, which is a substantial shareholder of the Company. Mr. Fok is the father of Ms. Huo Xinru.

Mr. Zhang Yue Jun (張躍軍), aged 64, is one of the founders of the Group. He is the vice chairman of the Board. He also holds various positions in the subsidiaries of the Company, including acting as legal representative and director of such subsidiaries. He also acted as the president of the Group from 1 October 2011 to 7 December 2018. Mr. Zhang is mainly responsible for assisting the Chairman in performing the latter's duties and responsibilities, also taking the important role in monitoring the implementation of the Company's strategies. Mr. Zhang graduated from South China Institute of Technology (華南工學院) (currently known as South China University of Technology (華南理工大學)) in 1982 and obtained a bachelor's degree in wireless engineering. From 1982 to 1990, Mr. Zhang worked as a microwave telecommunications engineer in Nanjing and from 1990 to 1997, he was the deputy chief engineer of a joint venture company in Shenzhen and was mainly responsible for wireless telecommunications projects. Mr. Zhang has over 40 years of experience in wireless communications and he co-founded the Group in 1997. He is the sole director and shareholder of Wise Logic Investments Limited, which is a substantial shareholder of the Company.

Mr. Xu Huijun (徐慧俊), aged 49, is an executive director of the Company and the president of the Group. He also holds various positions in the subsidiaries of the Company, including acting as legal representative, director and general manager of such subsidiaries. Mr. Xu is mainly responsible for the Group's overall operation, management, business development, research and development of new technologies and products and supply chain system. Mr. Xu graduated from Tsinghua University in 1998 with a master's degree in engineering and joined ZTE Corporation ("ZTE") in the same year. He had served as system engineer, project manager, deputy head and head of Beijing Research Centre of ZTE from 1998 to 2003. He was senior vice president of ZTE from 2004 to March 2016, having been in charge of the General Product Division, Engineering Services under the Sales System, Engineering Service Division and Wireless Product Division. He had been executive vice president and chief technology officer (CTO) of ZTE from April 2016 to July 2018, in full charge of the operation of system products and management of research and development. Mr. Xu has over 24 years of management experience in telecommunications industry. Mr. Xu joined the Group in August 2018.

Mr. Chang Fei Fu (張飛虎), aged 48, is an executive director of the Company and the group chief financial officer. He is also the authorized representative of the Company. Mr. Chang holds various positions in the subsidiaries of the Company, including acting as director, company secretary and supervisor of such subsidiaries. He is mainly responsible for the overall financial management of the Group, as well as listed company related matters and investor relations duties. Mr. Chang has obtained a master's degree in engineering economic systems from Stanford University, the USA and a bachelor's degree in electrical engineering from the University of Michigan, the USA. He has over 25 years of experience in corporate finance, merger and acquisition, financial analysis, research, capital markets and asset management. Prior to joining the Group, Mr. Chang has worked in financial institutions and corporates in Hong Kong, China and Japan, including the Stock Exchange of Hong Kong, Merrill Lynch Securities (currently known as BofA Securities, Inc.) (Hong Kong and Tokyo), Rockhampton Management (Tokyo), Barclays Capital (Hong Kong). During 2011, Mr. Chang joined China Mobile Games and Entertainment Group Limited ("CMGE Group") in the founding member team as an executive director and chief financial officer. He led CMGE Group to its listing on the United States NASDAQ Stock Exchange in September 2012, conducted a series of equity fund raisings including CMGE Group's initial public offering, as well as its privatization. Mr. Chang left CMGE Group in August 2015 after the company completed its privatization. Mr. Chang then joined ule.com (an e-commerce platform jointly launched by TOM Group Limited and China Post) as a senior vice president in finance in September 2015. Mr. Chang joined the Group in 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Bu Binlong (卜斌龍), aged 60, is an executive director of the Company. He is also consultant of the Group and chief scientist of antenna and subsystem business unit (ASBU) business lines. Mr. Bu is also acting as director of a subsidiary of the Company. He graduated in 1985 from Northwest Telecommunication Engineering Institute (currently known as Xidian University) and obtained a master's degree in electronic magnetic field and microwave technology from Xidian University in 2002. Mr. Bu has over 37 years of technical research experience in the domain of satellite antennas and mobile communications antennas. He was appointed as an adjunct professor of the key laboratory for antenna and electromagnetic compatibility of Xidian University in 2010, elected as the vice chairman of the Communication Antenna Special Committee of the Antenna Branch of Chinese Institute of Electronics in 2011, elected as the vice chairman of the Antenna System Industry Alliance of the PRC in 2017, and appointed as the vice chairman of the Antenna and Radio Frequency Technology Committee under China Institute of Communications in 2018. Mr. Bu joined the Group in 2003.

Ms. Huo Xinru (霍欣茹), aged 39, is an executive director of the Company. She is also senior vice president of the Group and president of Comba Telecom Systems International Limited. Ms. Huo also holds various positions in the subsidiaries of the Company, including acting as director and chief executive officer of such subsidiaries. She is mainly responsible for the relevant management work delegated by the Group and the operation and management of Comba Telecom Systems International Limited. Ms. Huo graduated from Imperial College London in UK in 2007 majoring in electrical and electronic engineering, and obtained a bachelor's degree; graduated from Stanford University in the USA in 2009 majoring in (electrical engineering) digital signal processing, and obtained a master's degree. She has served successively such positions as software and application engineer, customer manager, and vice president of marketing in North America branch of the Group. Ms. Huo joined the Group in 2010. She is the daughter of Mr. Fok Tung Ling.

NON-EXECUTIVE DIRECTOR

Mr. Wu Tielong (吳鐵龍), aged 59, is a non-executive director of the Company and was an executive director of the Company from 12 April 2018 to 31 December 2019. He also holds various positions in the subsidiaries of the Company, including acting as director and general manager. Mr. Wu graduated from the Nanjing Institute of Communication Engineering in 1985 and obtained a bachelor's degree in communication engineering. He was an associate professor. Mr. Wu has over 19 years of experience in the operation and management in the market of communications. Mr. Wu joined the Group in 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, Kevin (劉紹基), aged 64, is an independent non-executive director of the Company. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Lau has over 40 years of experience in corporate governance, corporate finance, financial advisory and management, accounting and auditing. He is currently a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. He is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Institute of Certified Public Accountants. Mr. Lau was a member of the world council of ACCA from 2002 to 2011 and was the chairman of the Hong Kong Branch of ACCA for the year 2000/2001. He is also an independent non-executive director of six other companies listed on the main board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") namely FIH Mobile Limited, Samson Holding Ltd., Embry Holdings Limited, Binhai Investment Company Limited, TCL Electronics Holdings Limited and IVD Medical Holding Limited. Mr. Lau is also the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited, both companies listed on the main board of the Hong Kong Stock Exchange, and also Expert Systems Holdings Limited, a company listed on GEM of the Hong Kong Stock Exchange. Mr. Lau joined the Group in 2003.

Dr. Lin Jin Tong (林金桐), aged 77, is an independent non-executive director of the Company. He is also the chairman of the nomination committee and a member of the audit committee and the remuneration committee of the Company. Dr. Lin is currently a professor of BUPT. He graduated from Peking University majoring in Physics, and obtained a master's degree in engineering from BUPT. Dr. Lin further obtained a doctorate degree in Philosophy and an honorary doctorate degree in Science from University of Southampton, UK. He has worked as lecturer, professor, department head, vice president of BUPT and was also the president of BUPT from 1998 to 2007. Dr. Lin was also a member of the 10th Beijing Municipal Committee of the Chinese People's Political Consultative Conference from 2003 to 2008. He was a deputy director-general of China Institute of Communications and is currently a fellow member of The Institution of Engineering and Technology. Dr. Lin has long been engaged in optical communication engineering, including research and teaching in the aspects of high-speed optical communication system and broadband optical access network. He is currently an independent director of Tongding Interconnection Information Co., Ltd. and HC SemiTek Corporation, the shares of which are both listed on the Shenzhen Stock Exchange and UTStarcom Holdings Corp., the shares of which are listed on the Nasdaq Market in the United States. He was a director of Jiangsu Zhongtian Technology Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange, until his retirement on 15 June 2022. Dr. Lin joined the Group in 2012.

Ms. Ng Yi Kum (伍綺琴), aged 65, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Ms. Ng is a qualified accountant and holds a Master of Business Administration degree from the Hong Kong University of Science and Technology. She is an associate of The Institute of Chartered Accountants in England and Wales, an associate of The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute), a fellow of the ACCA, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Ms. Ng has been an elected member of Quality Tourism Services Association Governing Council (Retailer Category) since February 2019. She is currently an executive director, the deputy chairman, the chief strategy officer and chief financial officer and the company secretary of Tse Sui Luen Jewellery (International) Limited, a company listed on the Hong Kong Stock Exchange. Ms. Ng was employed by the Hong Kong Stock Exchange in a number of senior positions, including served as senior vice president of the Listing Division. She joined Hang Lung Properties Limited, a company listed on the Hong Kong Stock Exchange, in 2003 and from September 2005 to November 2007, she served as its executive director. Ms. Ng then served as the chief financial officer of Country Garden Holdings Company Limited from January 2008 to April 2014, a company listed on the Hong Kong Stock Exchange. She is currently also an independent non-executive director of four other companies listed on the main board of the Hong Kong Stock Exchange namely Tianjin Development Holdings Limited, CMGE Technology Group Limited, Powerlong Commercial Management Holdings Limited and KWG Living Group Holdings Limited. Ms. Ng served as an independent non-executive director of CT Vision S.L. (International) Holdings Limited, a company listed on the Hong Kong Stock Exchange, until she retired on 30 June 2022. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited, a company listed on the Hong Kong Stock Exchange, until she resigned on 31 July 2015. She also served as an independent non-executive director of CMGE Group, a company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, until she resigned on 10 August 2015. Ms. Ng also served as an independent director of DS Healthcare Group, Inc. until she resigned on 16 May 2017, a company listed on the Nasdaq Capital Market in the United States until it was delisted on 23 December 2016. She served as an independent non-executive director of China Power Clean Energy Development Company Limited, a company listed on the Hong Kong Stock Exchange and the shares of which were delisted from the Hong Kong Stock Exchange on 21 August 2019, until she resigned in October 2019. Ms. Ng has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013. Ms. Ng joined the Group in 2019.

Ms. Wong Lok Lam (王洛琳), aged 37, is an independent non-executive director of the Company. She is also a member of each of the audit committee, remuneration committee and nomination committee of the Company. Ms. Wong is a qualified lawyer practising in Hong Kong. She graduated from the Chinese University of Hong Kong and obtained a bachelor's degree in Business Administration (major in Accounting), a Juris Doctor degree, and a Postgraduate Certificate in Laws. Ms. Wong also obtained a Master of Laws from University College London in UK. She qualified as a solicitor in 2012 and has over 10 years of legal and commercial experience in the domestic and international markets. She is also an accredited mediator in Hong Kong. Ms. Wong worked in various international and local law firms in Hong Kong. She is currently the assistant general manager and legal counsel of a family office, the legal consultant of a media company, a consultant of a law firm, and a vice president of a financial brokerage company. Ms. Wong joined the Group in 2020.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Sun Shanqiu (孫善球), aged 42, is a senior vice president and general manager of the antenna and subsystem business unit and chief architect of antenna of the Group. Mr. Sun is responsible for the operation and management of the antenna and subsystem business of the Group. He graduated from University of Electronic Science and Technology of China (電子科技大學) and obtained a bachelor's degree in electronic magnetic field and microwave technology in 2002 and obtained an EMBA degree from Beijing University of Posts and Telecommunications (北京郵電大學) in 2016. Mr. Sun has over 20 years of experience in the industry of mobile communications antenna. In addition, he has a wide range of experience in the research and development, market, manufacturing and operation management. He was elected as the vice president of the Antenna System Industry Alliance of China in 2016. He was appointed as a professional member of the Antenna and Radio Frequency Technical Committee of China Institute of Communications (中國通信學會天線與射頻技術委員會) and a technical expert in the expert database of China Institute of Communications in 2019. He was elected as a member of the Young Scientists Club of China Institute of Electronics in 2021. He joined the Group in 2002.

Mr. Zhou Haitao (周海濤), aged 51, is a senior vice president and general manager of the marketing center of the Group. Mr. Zhou is responsible for the operation and management of the Group's sales platform in Mainland China. He graduated from Huazhong University of Science and Technology (華中理工大學(現稱華中科技大學)) and obtained a bachelor's degree in engineering in 1995. Mr. Zhou has over 23 years of experience in the marketing and operation management in the communications industry. He joined the Group in 2019.

Mr. Li Xuefeng (李學鋒), aged 50, is a senior vice president of the Group. Mr. Li is responsible for the management of the legal affairs, intellectual property rights, taxation, human resources and administration of the Group. He is an International Forensic Certified Public Accountant (FCPAi) (國際註冊法務會計師), a Certified Fraud Examiners (CFE) (國際舞弊審計師), a professorship senior economist, an intellectual property right expert and a PhD in management. He graduated from Northeast Forestry University (東北林業大學) majoring in accounting with a bachelor degree in economics. He also obtained a master degree in management from Royal Roads University, and an EMBA degree from Lingnan College in Sun Yat-Sen University (中山大學嶺南學院), and a PhD (equivalent qualification) in management from University of California, Berkeley. Mr. Li has many years of experience in finance, internal audit, legal affairs and intellectual property rights. He is the chairman of the Invention Association of Guangzhou (廣州市發明協會), a technical expert for intellectual property right of the Guangdong-Hong Kong-Macao Greater Bay Area, a special supervisor of the Guangzhou Municipal Intermediate People's Court, a special supervisor of the Guangzhou Intellectual Property Court, a standing member of the China Behavior-law Association (中國行為法學會) and a standing member of the Intellectual Property Law Association of Guangdong Province Law Society (廣東省法學會知識產權法學研究會). Mr. Li serves as an off-campus instructor or a visiting professor of Master Institute of a number of universities, including the Xi'an Jiaotong University, the Law School of South China University of Technology, the Humanities and Law School of Northeast Forestry University, South China Normal University, and the Guangdong University of Foreign Studies. He joined the Group in 2010.

Mr. Luo Ruibo (駱瑞波), aged 48, is a senior vice president of the Group. Mr. Luo is responsible for the operational management of the procurement center, the process and IT department of the Group. He graduated from Kunming University of Science and Technology (昆明理工大學) in 1998 and obtained a bachelor's degree in engineering. He also obtained an MBA degree from Sun Yat-Sen University (中山大學) in 2009. Mr. Luo has over 25 years of experience in human resource management and corporate operational management of large enterprises. He joined the Group in 2005.

CORPORATE GOVERNANCE REPORT

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

The board (the "Board") of directors (the "Director(s)") of the Company reviewed daily governance of the Company from time to time in accordance with the principles of good corporate governance (the "Principles") and code provisions (the "Code Provisions") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and considered that, from 1 January 2022 to the date of this annual report, the Company has complied with all Principles and there has been no deviation from the Code Provisions.

The Company remains resolute in its application of the Principles to the corporate governance of the Group. In terms of board composition, the current composition of the Board represents a balance of skills, experience and diversity of perspectives which the Board considers as appropriate for the Company's business. For the year ended 31 December 2022 (the "Current Year"), the Directors devoted sufficient time and made positive contributions to the Company. Their attendance rates to all the respective Board and Committees meetings are high. Members of the nomination committee (the "Nomination Committee"), remuneration committee (the "Remuneration Committee") and audit committee (the "Audit Committee") of the Company are all independent non-executive Directors, which ensures the independence of the decisions and recommendations made by the respective committees.

In relation to risk management and internal control, the Audit Committee conducted an annual review of the effectiveness of the internal control system of the Group covering the financial, operational and compliance controls and risk management functions, and after considering the results of the review, the Board concluded that the risk management and internal control systems were effective and adequate.

The key corporate governance principles and practices of the Company are summarized as follows:

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities transactions of the Company by its Directors. Specific enquiries have been made to all Directors, and they confirmed that they have complied with the required standard as set out in the Model Code and its code of conduct regarding directors' securities transactions from 1 January 2022 to the date of this annual report.

BOARD OF DIRECTORS

BOARD COMPOSITION

As at the date of this annual report, the Board comprises eleven Directors, of whom six are executive Directors, one is non-executive Director and four are independent non-executive Directors. Mr. Lau Siu Ki, Kevin and Ms. Ng Yi Kum, both independent non-executive Directors, have the appropriate accounting qualification and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The composition of the Board represents a mixture of expertise specializing in management, wireless communications and telecommunications, research and development, accounts and finance and legal.

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

BOARD MEETINGS

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

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

BOARD FUNCTIONS

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

The Board is also responsible for performing the corporate governance duties as set out in the Code Provisions. During the Current Year, Board meetings were held to, inter alia, review the Company's policies and practices on corporate governance; review and monitor the training and continuous professional development of Directors and senior management of the Group; review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and review and monitor the compliance with Appendix 14 of the Listing Rules and approve the disclosures in the Corporate Governance Report as contained in the Company's 2021 annual report.

MANAGEMENT FUNCTIONS

Certain management and administration functions were delegated by the Board to the Group's management include the preparation of annual and interim consolidated financial statements for the Board's approval before public reporting; the implementation of strategies approved by the Board; the monitoring of operating budgets; the implementation of risk management and internal control procedures; and ensuring compliance with relevant statutory requirements and other rules and regulations.

CONTINUING DEVELOPMENT FOR DIRECTORS

During the Current Year, Mr. Fok Tung Ling, Mr. Zhang Yue Jun, Mr. Xu Huijun, Mr. Chang Fei Fu, Mr. Bu Binlong, Ms. Huo Xinru, Mr. Wu Tielong, Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam attended training session(s) provided by the Company and/or other professional institutions to develop and refresh their knowledge and skills to act as Directors, and have provided records of the training they received to the Company.

COMPANY SECRETARY

Mr. Chan Siu Man, the company secretary of the Company (the "Company Secretary"), has taken not less than 15 hours of relevant professional training during the Current Year in compliance with Rule 3.29 of the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE

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

As at the date of this annual report, Mr. Fok Tung Ling is the chairman of the Board, Mr. Zhang Yue Jun is the vice chairman of the Board and Mr. Xu Huijun is the president of the Group. The chairman is primarily responsible for leading the Board in determining the directions of the Group's overall strategies and business development, vice chairman is responsible for assisting the chairman in performing the latter's duties and responsibilities, also monitoring the implementation of the Company's strategies and the president acting as chief executive is responsible for the Group's overall operation, management, business development, research and development of new technologies and products and supply chain system.

NON-EXECUTIVE DIRECTORS

The Company has entered into a letter of appointment with each of the non-executive Director and independent non-executive Directors. Pursuant to such letters of appointment, non-executive Director is appointed without a specific term and each of the independent non-executive Directors is appointed for a fixed term of not more than three years which are all subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association (the "Articles") of the Company.

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

REMUNERATION COMMITTEE

As at the date of this annual report, the Remuneration Committee comprised four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam. The chairman of the Remuneration Committee is Mr. Lau Siu Ki, Kevin. The terms of reference of the Remuneration Committee are available on the respective websites of the Hong Kong Stock Exchange and the Company.

The main duties and responsibilities of the Remuneration Committee are to recommend the Board on the remuneration policy and structure for all Directors and senior management of the Group; to review and recommend to the Board on the remuneration packages and any compensation arrangements made to the Directors and senior management of the Group; and to review the terms of service contracts or letters of appointment of Directors.

During the Current Year, a Remuneration Committee meeting was held to, inter alia, assess the performance of all Directors and senior management of the Group and review their remuneration packages; and make relevant recommendations on their remuneration packages to the Board. The remuneration of the Directors is subject to the Shareholders' approval at general meeting of the Company, other emoluments, including share options and incentive shares, are reviewed and recommended by the Remuneration Committee to the Board with reference to Directors' duties, responsibilities and performance within the Group, the Group's remuneration policy and the prevailing market conditions. Details of the remuneration payable to the Directors are set out in note 8 to the consolidated financial statements.

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

Remuneration bands (HK$)	Number of person(s)
Nil to 1,000,000	0
1,000,001 to 2,000,000	1
2,000,001 to 3,000,000	2
3,000,001 to 4,000,000	1

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

Members of Remuneration Committee	Number of meeting attended/ Total number of meeting held
Mr. Lau Siu Ki, Kevin	1/1
Dr. Lin Jin Tong	1/1
Ms. Ng Yi Kum	1/1
Ms. Wong Lok Lam	1/1

NOMINATION COMMITTEE

As at the date of this annual report, the Nomination Committee comprised four independent non-executive Directors, being Dr. Lin Jin Tong, Mr. Lau Siu Ki, Kevin, Ms. Ng Yi Kum and Ms. Wong Lok Lam. The chairman of the Nomination Committee is Dr. Lin Jin Tong. The terms of reference of the Nomination Committee are available on the respective websites of the Hong Kong Stock Exchange and the Company.

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

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

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

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

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

During the Current Year, a Nomination Committee meeting was held to, inter alia, consider the re-election of Directors (including independent non-executive Director will be holding their seventh (or more) listed company directorship); review the structure, size and composition of the Board; assess the independence of the independent non-executive Directors and review the implementation and effectiveness of the Board Diversity Policy; and make relevant recommendations to the Board.

SUMMARY OF BOARD DIVERSITY POLICY

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

MEASURABLE OBJECTIVES

The Board has set the following key measurable objectives to enhance the implementation of the Board Diversity Policy:

1. at least one-fourth of the Directors are female;

2. at least two Directors have obtained accounting or other professional qualifications; and

3. at least three Directors have expertise from different industries, including accounting, legal, wireless communications and telecommunications.

The Nomination Committee will review the implementation of the objectives at least annually and make recommendations to the Board on any proposed changes to the Board to ensure its appropriateness and effectiveness. After review and assessment, the Nomination Committee and the Board considered that the composition of the Board is in line with the Company's Board Diversity Policy.

GENDER DIVERSITY IN BOARD AND WORKFORCE

As at 31 December 2022 and as at the date of this annual report, the Board comprised eight male members and three female members, with around 27% female representation at Board level. At the senior management level, all the members of the senior management are male.

As at 31 December 2022, the employees of the Group comprised 3,727 male and 1,597 female, with the around 30% female representation at workforce level.

The Board targets to maintain at least the current level of female representation across all levels of the Group and increase the percentage of female representation at the Board level and workforce level progressively to around 33% and 35% respectively by 2033.

The Nomination Committee will deploy multiple channels for identifying suitable candidates to be a Board member, including referral from Directors, Shareholders, management, advisors of the Company and executive search firms, as and when appropriate. The Company will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

ASSESSMENT OF INDEPENDENCE

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

Consideration was given to the independence of Mr. Lau Siu Ki, Kevin and Dr. Lin Jin Tong, both of them have served on the Board for more than nine years. Both Mr. Lau Siu Ki, Kevin and Dr. Lin Jin Tong have never engaged in any executive management of the Group, have consistently provided positive contributions to the development of the Group's strategy and policies through independent, constructive and informed contributions supported by their skills, expertise and qualifications and from their active participation at meetings and were free from any business or other relationships which could interfere with their ability to discharge their duties effectively. Taking into consideration the independent nature of their roles and duties in the past years and given both of them have consistently demonstrated strong independence in judgement and have provided effective oversight of the management during their tenure, the Nomination Committee and the Board consider both Mr. Lau Siu Ki, Kevin and Dr. Lin Jin Tong to be independent under the Listing Rules despite their length of services with the Company.

MECHANISMS FOR ENSURING INDEPENDENT VIEWS AND INPUT

The following key features or mechanisms have been established to ensure independent views and input are provided to the Board.

Board and committees' structure	• Members of the Nomination Committee, Remuneration Committee and Audit Committee are independent non-executive Directors. • Separation of the role of the chairman and the president of the Group (acting as chief executive) ensures that there is a balance of power and authority.
Appointment of non-executive Directors	• In assessing suitability of the candidates, their profiles, including their qualification and time commitment, having regard to the Board's composition, the Directors' skill matrix, the Nomination Policy and the Board Diversity Policy will be reviewed and considered in the process of appointment.
Annual review of non-executive Directors' commitment and independence	• Each Director's time commitment to the Company's business will be reviewed annually. Directors' attendance records during the Current Year are disclosed in the Corporate Governance Report as contained in this annual report. • Non-executive Directors' independence is not only assessed during the appointment process, but also assessed annually and at any other time where the circumstances warrant such review and assessment.
Conflict management	• Any Director has a material interest in the transaction or arrangement shall disclose such interest and abstain from voting on the relevant resolutions.
Professional advice	• Independent professional advice would be available to the Directors upon reasonable request to assist them to perform their duties at the Company's expense, as and when necessary.

The Nomination Committee will review the implementation of the key features and mechanism at least annually and make recommendations to the Board on any proposed changes to the Board to ensure its appropriateness and effectiveness.

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

Members of Nomination Committee	Number of meeting attended/ Total number of meeting held
Dr. Lin Jin Tong	1/1
Mr. Lau Siu Ki, Kevin	1/1
Ms. Ng Yi Kum	1/1
Ms. Wong Lok Lam	1/1

AUDIT COMMITTEE

As at the date of this annual report, the Audit Committee comprised four independent non-executive Directors, being Mr. Lau Siu Ki, Kevin, Dr. Lin Jin Tong, Ms. Ng Yi Kum and Ms. Wong Lok Lam. The chairman of the Audit Committee is Mr. Lau Siu Ki, Kevin. The terms of reference of the Audit Committee are available on the respective websites of the Hong Kong Stock Exchange and the Company.

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

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

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

Members of Audit Committee	Number of meetings attended/ Total number of meetings held
Mr. Lau Siu Ki, Kevin	3/3
Dr. Lin Jin Tong	3/3
Ms. Ng Yi Kum	3/3
Ms. Wong Lok Lam	3/3

AUDITOR'S REMUNERATION

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

During the Current Year, the fees paid to the auditor for audit services amounted to HK$5,229,000; and non-audit services of tax review and interim financial statements agreed – upon procedure services amounted to HK$683,000 and HK$470,000 respectively.

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

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

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

A statement from the auditor of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section "Independent Auditor's Report" on pages 79 to 83 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control systems are designed to manage rather than eliminate the risks of failing the fulfilment of the business objectives. They can only provide reasonable but not absolute assurance that there will be no material misrepresentation or loss. They also manage the risks of failure in operational system and assist the Group in meeting its objectives. They protect the Group's assets and Shareholders' rights, ensure good corporate operations, keep proper accounting records and comply with relevant laws and regulations.

The Board is responsible for assessing and determining the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, overseeing the management in the design, implementation and monitoring of the risk management and internal control systems, regularly reviewing the Group's financial, operational, compliance mechanisms and risk management functions through the Audit Committee to maintain and ensure the effective implementation of the Group's risk management and internal control and reviewing the effectiveness in protecting the interests of Shareholders and the safety of assets.

In accordance with the authority delegated to it by the Board, the management assists the Board in identifying and assessing the risks involved in major business areas through working mechanisms such as regular reports and meetings, so as to reasonably ensure that the Group's operational and internal control objectives are achieved. The Group has implemented an effective internal control system based on five internal control elements, namely the environmental control, risk assessment, activities control, information and communication, and internal oversight, which cover all the material aspects of control, including financial control and reporting, operational control, compliance control, employee awareness and code of conduct, to ensure that the Group maintains sound risk management and internal control systems to comply with the Code Provisions.

The review was coordinated by the internal audit department of the Group. Through the self-assessment of the management and business units, and after the management has confirmed the effectiveness of the relevant systems, the Group identified, assessed and proactively responded to the major risks faced during the Current Year, including strategic selection risk, material investment risk, interest rate and exchange rate risk, accounts receivable risk and process management risk and thereby optimized the organizational structure and division of duties, formulated effective control procedures and proposed feasible solutions.

At the same time, having reviewed the areas identified as of high or medium importance, the internal audit department provided recommendations to relevant business units and followed up on the effectiveness of the implementation of the recommendations. The internal audit department further specified the objectives of the anti-fraud efforts, strengthened the promotion of anti-fraud culture, and cracked down on violations of the employee manual and laws and regulations to ensure the healthy, steady and long-term development of the Group and its employees.

The results of the 2022 review have been reported to the Audit Committee and the Board. The Audit Committee has reviewed the relevant work report of internal audit department and reported the results to the Board on a half-yearly basis. During the Current Year, the Board reviewed the effectiveness of the Group's risk management and internal control systems and was satisfied that the Group's risk management and internal control systems were effective and adequate.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company restricts the access of information to a limited number of employees on a need-to-know basis and ensures employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality; and has set out relevant guidelines in the employee's handbook of the Group, which includes a strict prohibition on the unauthorized use of confidential or inside information.

SHAREHOLDERS' RIGHTS

PROCEDURES ON CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS AT A GENERAL MEETING

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

PROCEDURES FOR PUTTING FORWARD ENQUIRIES TO THE BOARD

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

The Company Secretary
Comba Telecom Systems Holdings Limited
Unit 611
Building 8W
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong
Email: investorrelations@comba-telecom.com
Tel No.: (852) 2636 6861
Fax No.: (852) 2637 0966

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

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

SHAREHOLDERS COMMUNICATION POLICY

The Board adopted a shareholders communication policy (the "Shareholders Communication Policy") on 19 March 2012, details of which are set out as follows:

1. **Purpose**

   The Company always endeavours to improve transparency and accountability to its Shareholders in the best possible way. The purposes of this policy are to:

   - formalize and describe the processes implemented by the Company to assist the Company in complying with its continuous disclosure obligations under the Listing Rules;
   - outline the processes adopted by the Company to ensure timely and accurate information about the Company is provided; and
   - ensure that all of the Shareholders have access to material information about the Company and its prospects.

2. **General Policy**

   The Company aims to ensure that Shareholders and the investment community have a good understanding of all the Company's activities, and maintain an on-going dialogue with them. This is achieved through proactive stakeholder relations efforts in accordance with the concept of fair and timely disclosure of corporate information.

3. **Communications Strategies**

   3.1 Shareholders' enquiries

   - Shareholders, investors and members of the public should direct their questions about their shareholdings to the Company's registrar.
   - The Company supports the use of electronic and other means of communicating with Shareholders and investors including:

     i. Mail;
     ii. E-mail;
     iii. Facsimile;
     iv. Corporate website;
     v. Webcast and conference calls;
     vi. Telephone;
     vii. Presentations, briefings and investor meetings

   3.2 Annual and Interim Reports

   - The Company's annual and interim reports to Shareholders are the central means of communicating to Shareholders the Company's activities, operations and performance over the past financial year.

   3.3 Shareholders' Meetings

   - The annual general meeting and other Shareholders' meetings of the Company are the primary forum for communication by the Company with its Shareholders and for Shareholder participation.
   - Shareholders are encouraged to participate in all Shareholders' meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings.

3.4 Corporate Website

- One of the Company's key communication tools is its website located at www.comba-telecom.com.

- The Company issues press releases, announcements, financial announcements, financial data and investment presentations where appropriate to provide updated information about the Company's business development in a timely manner, and are made available on the Company's website.

- The Company also updates its website regularly to ensure information about its latest development disseminated promptly.

3.5 Webcast Presentation

- Webcast presentations of the Company's interim and annual results briefing are available.

3.6 Investment Market Communications

- The Company organizes regular meetings with the investment community. After reporting interim and annual results, the Company holds press conferences and investment conferences which set an open communications platform for the Company's senior management to address any questions that the investment community and the media may have.

- The Company participates in plant visits, roadshows, small group meetings, individual investor meetings, conference calls and various investor conferences organized by different financial institutions throughout the year with the aim to maintain on-going dialogue with the investors and obtain investors' opinion.

3.7 Review of the Shareholders Communication Policy

- The Shareholders Communication Policy is subject to regular reviews by the Board and will be amended as appropriate to reflect current best practice in communications with Shareholders.

During the Current Year, the Board has reviewed the Shareholders and investors engagement and communication activities conducted and was satisfied with the implementation and effectiveness of the Shareholders Communication Policy.

CHANGE IN THE CONSTITUTIONAL DOCUMENTS OF THE COMPANY

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

CORPORATE TRANSPARENCY AND INVESTOR RELATIONS

The Group always endeavors to improve transparency and accountability to its Shareholders in the best possible way. The senior management of the Group participates in various investor relations activities including investor meetings, investor conferences and post-results road shows from time to time. These provide the investment community with an opportunity to understand the business of the Group better. The Group actively liaises and carries out high-quality communication with Shareholders and investors via diversified communication channels. After reporting its interim and annual results, the Group holds press conference and investor presentation/conference call where the financial performance, business review and prospect of the Group are presented. This also sets an open communication platform for the Group's senior management to address any questions that the investment community and the media may have. Web-cast presentation is then sent to Shareholders and investors around the world to ensure information is disseminated on a fair and timely basis. The Group issues press releases and announcements where appropriate to provide updated information about the Group's business development in a timely manner. The Group also updates its website regularly to ensure information about its latest development disseminated promptly.

Due to the continued lockdown policy brought by the outbreak of coronavirus disease in early 2020, the Group's investor relations activities were held via physical meeting or teleconference when appropriate. During the Current Year, the Group's senior management attended over 50 investor meetings. This allowed the investment community to understand the business of the Group better. As a result of various investor relations activities undertaken, as at the end of the Current Year, 8 securities companies have provided research coverage on the Group.

Key Investor Relations Events in 2022:

Date		Event
January	:	Company visits for investors, fund managers and analysts
March	:	2021 Virtual Annual Results Announcement (Press Conference and Investor Presentation)
	:	Virtual post-results road shows in Hong Kong (arranged by various brokerage firms)
April	:	Virtual post-results road shows in Asia Pacific and Mainland China (organized by First Shanghai, Minsheng Securities, Essence International Securities, CMS, Industrial Securities and other brokerage firms respectively)
May	:	2022 Annual General Meeting
	:	2022 Virtual Interim Investment Strategy Conference (organized by Western Securities)
June	:	2022 Virtual Capital Market Forum (organized by CITIC Securities)
	:	2022 Virtual Interim Investment Strategy Conference (organized by CICC Securities)
August	:	2022 Virtual Interim Results Announcements (Press Conference and Investor Presentation)
	:	Virtual post results road shows in Hong Kong (arranged by various brokerage firms)
September	:	Non-deal road shows in Singapore (organized by UOB Kay Hian and DBS Bank respectively)
November	:	Teleconference with fund managers and analysts (organized by Minsheng Securities and China Galaxy International Securities respectively)
December	:	The 6th Sustainable Investing and Web 3.0 – Invest For A Better World Investment Forum (organized by LBS Communications)
	:	Teleconference with investors, fund managers and analysts (organized by CICC Securities, CITIC Securities, Huaan Securities and other brokerage firms respectively)

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
23 March 2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. SUMMARY AND SCOPE OF REPORT

This report is compiled under the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The disclosure in this report has objectively, fairly and truly reflected the work achievements and practices regarding the environmental and social matters of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") in 2022. This report adopts a consistent information statistical method where the scope of information statistics in 2022 is consistent with that of 2021.

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

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

The Group strictly adheres to the reporting principles of materiality, quantitative and consistency to report on the relevant measures and performances.

Reporting Principles	Application
Materiality	To identify the material ESG-related issues to the Group, we conducted stakeholder engagement surveys to collect the opinions from the management and general staff, and incorporated the material ESG issues into the Group's core business strategy.
Quantitative	The Group's social KPIs were sourced from the statistics of the relevant departments. The Group discloses its ESG performances in a quantitative manner to allow assessment and comparison of performance over time.
Consistency	This report is prepared according to the ESG Reporting Guide issued by the Hong Kong Stock Exchange to provide consistent and comparable disclosures.

This report covers the performance indicators from 1 January 2022 to 31 December 2022. The indicators related to environment are mainly sourced from Comba Telecom's headquarter and research and development (the "R&D") base in Guangzhou Science City, the manufacturing base in Guangzhou Development Zone, head office in Hong Kong and the main sales offices at Mainland China as their profit contributions to the Group are fairly representative and important.

II. ESG RESPONSIBILITY MANAGEMENT

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

As changes in climate and environment have posed huge challenges to the production and development of human society, green and low-carbon development has become a global consensus. Adhering to the concept of green and low-carbon development, the Group developed new structures, new solutions and new technologies for antenna and subsystem of mobile telecommunication through exploration and innovation, with a view to providing operators with a series of innovative solutions for developing smart and efficient 5G networks in a green and low-carbon manner. Comba Telecom Technology (Guangzhou) Limited was awarded the EcoVadis Sustainability Silver Medal in 2022, and ranked among the top 21% in the assessed communications equipment manufacturing industry, with labor rights ranking among the top 10% in the communications equipment manufacturing industry. Being an influential corporate sustainability rating agency globally, EcoVadis rates seven management indicators of enterprises based on 21 sustainability standards in four major themes. The 21 standards are built on international corporate social responsibility standards, such as the Ten Principles of the Global Compact, the International Labor Organization Conventions, the Global Reporting Initiative Standards, ISO 26000 Corporate Social Responsibility Management System Standards, the CERES Blueprint of the Coalition for Environmentally Responsible Economies, and the Guiding Principles on Business and Human Rights. In the future, the Group will continue to prioritize sustainability and social responsibility with a view to contributing to a prosperous and sustainable global economy and sustainable corporate development.

The Group continued to ensure the proactive and proper implementation of control measures for safety risks with a view to ensuring the target of "six zeroes" in production safety, namely zero fatal accident of staff, zero fire accident above general level, zero accident on environmental protection, zero accident on occupational diseases, zero widespread contagious disease and zero incident of mass poisoning. The Group reported its progress in fulfilling the annual safety production goals, and reviewed the result based on its annual responsibility goals so as to conduct planning for safety management for the following year on the basis of the fulfillment status in 2021. Monthly reports on management and control of energy, as well as inspection of production safety have been prepared, while management and control responsibilities have been assigned to individuals, with a view to raising and cultivating awareness of energy conservation and production safety amongst all staff. Targeted trainings for department leaders, project leaders and employees were organized from time to time to improve the awareness on safety responsibilities and production safety. All staff are required to sign the Safety Production Responsibility Paper (《安全生產責任書》).

In addition to providing supervision and guidance, the Board regularly listens to management teams' reports on production safety, operation and management, internal control and corporate social responsibility. The Board assesses and ranks risk hierarchies, taking consideration of, among others, the impacts on our corporate strategies, policies, procedures and commitment, impacts on the Company's competitive edges and management excellence, and current and future financial impacts on the Company. Major considerations of external stakeholders conducting materiality assessment include impacts on the Company's evaluation and decision-making, and on the interests of themselves. The Company has established an ESG work leadership group which is responsible for making decisions on major issues during the process of the guideline implementation and conducting assessment and providing feedbacks on the effectiveness of its management. The management of major risks such as production safety, employee health, energy conservation and environmental protection, intellectual property rights, fraud risk, internal control and corporate culture has already been incorporated into the daily work and comprehensively ensured the effectiveness and applicability of the Company's ESG management.

The Group manages the enterprise in accordance with the law, insists on operating in accordance with the law, operating with integrity, abides by relevant laws and regulations and industry regulatory rules, and establishes a law-abiding and compliance system in terms of internal control construction, audit supervision, corruption prevention and comprehensive risk management. It establishes and improves long-term communication mechanism, standardizes the disclosure of corporate information, and consciously accepts governmental supervision and social supervision. It improves communication with stakeholders such as investors, customers, employees, governmental and regulatory authorities, and communities by ways of announcements, reports, conferences, service hotlines and events, listens carefully to stakeholders' expectations and demands, and actively responds to them.

The Group will resolutely pursue a safe, green, effective and sustainable development. Based on the investigation on the environment systems, the Company consolidates the sustainable development dimensions in relation to social and corporate governance, at the same time comprehensively identifies and evaluates corporate risks and responsibilities or opportunities, in a bid to ensure the compliance with the responsible investment principle. It has become more important than ever to maintain good ESG practices in a business model to generate effective and sustainable returns for its investors and stakeholders. We aim to reduce the impact of global warming and improve air quality as well as being committed to instilling the awareness of resource conservation by reducing the discharge of substantial amount of wastewater and exhaust gas generated during operation. The Group also strives to incorporate the concept of low carbon and environmental protection into work and daily life intensively with a view to jointly building a greener and healthier environment.

III. COMMUNICATIONS WITH STAKEHOLDERS AND IMPORTANCE ASSESSMENT

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

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

IV. ENVIRONMENTAL PROTECTION AND RESOURCE UTILIZATION

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

During the reporting period, the Group was not aware of any material non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharge of wastewater and removal of spoil and generation of hazardous and non-hazardous waste.

(I) EMISSIONS

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

The Group is committed to achieving environmental and social sustainability in its daily operations. In terms of environmental aspects of the 2022 sustainable development goal, we continue to ensure zero fine in exhaust gas emission. Wastes in each production area are discharged after treatment in accordance with the approved requirements based on the evaluation on the impact on the environment and the production areas shall perform annual review to ensure legal and compliant emission of exhaust gas. Designated dumping areas in each production base segregated wastes by licensed waste collectors and the garbage in the bases was strictly sorted and recycled.

During production process of the Group, there is no emission of industrial wastewater. All the toxic waste generated by the Group, including waste containers, bulbs, coolant oil, waste activated carbon, etc., will undergo professional recycling and processing by qualified waste recycling and processing companies. The Group has entered into contracts for hazardous waste treatment with companies that have obtained national qualification for hazardous waste treatment to carry out regular waste disposal. The Group has also signed treatment orders for hazardous wastes to be regularly reported on the government website for reporting hazardous wastes. Non-hazardous waste mainly includes domestic waste generating from daily office works and canteen of the Company, which has been treated in strict compliance with the sorting principle. Raw material wastes such as vegetables, roots and animal offal should be treated as domestic wastes; swills should be disposed into swill buckets as required; canteen garbage should be dumped into the garbage pool in a centralized manner and dumping at will is prohibited. In 2022, the equivalent amount of carbon dioxide (CO_2) emission for sales revenue per ten thousand was 0.03 tonnes. The emission density of greenhouse gas continued to decline.

Emissions		Unit	2022	2021	Comparison
Air contaminant	NO_x	tonne	0.409	0.356	↑ 14.95%
	SO_x	tonne	0.002	0.0027	↓ 43.81%
	PM	tonne	0.025	0.022	↑ 17.76%
Waste	Household wastewater	tonne	106,736	103,191	↑ 3.43%
	Non-hazardous wastes	tonne	450	406	↑ 10.65%
	Hazardous wastes	tonne	6	2	↑ 160.61%
Greenhouse gas emission		tonne of equivalent amount of CO_2	19,312	24,359	↓ 20.72%
Direct greenhouse gas emission			560	437	↑ 27.96%
Energy indirect greenhouse gas emission			16,104	18,201	↓ 11.52%
Other indirect greenhouse gas emission			2,648	5,721	↓ 53.7%
Annual sales revenue in total		ten thousand HK$	636,468	586,967	↑ 8.43%
Emission density of greenhouse gas		tonne/ten thousand HK$	0.030	0.042	↓ 26.89%

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

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

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

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

(II) RESOURCE UTILIZATION

The Group takes a careful consideration of environment factors throughout the life cycle of its products and services to provide its products with the characteristics of energy and natural resource saving and non-pollution in each procedure of R&D, production, sales, transportation, utilization and disposal.

In respect of low-carbon network deployment, the Group supports the low-carbon deployment of 5G network based on the development vision of "carrying out scenario-based allocation based on demands while balancing full network coverage and economic development with environmental protection and low-carbon emission", at the same time focusing on meeting the capacity and coverage requirements. In an effort to achieve low-carbon network operation, the Group released a low-loss and high-efficiency green antenna.

In order to build a green industrial chain, the Group strives to reduce the carbon footprint in the manufacturing process and realize sustainability throughout the lifecycle of antennas. It introduced a new environment-friendly coating process, using ion beam coating, a purely physical process, to replace the traditional electroplating process, which consumes high energy and causes heavy environmental pollution. Meanwhile, the Group innovated and developed a lightweight, environmentally-friendly radome with low-dielectric constant, which is manufactured with new green materials and techniques in a pollution-free process and can be easily recycled and reused. The Group has developed a product solution that is not only smart and efficient, but also green and low-carbon for operators.

The Company effectively manages the water consumption and waste water treatment to reduce environment pollution, actively promotes the concept of water conservation through publicity and educational activities, routine inspection and regular reporting and posting of wasting behaviors. The Group did not encounter any difficulties in seeking appropriate water sources. The Group also increases the frequency of daily inspection and performs around-the-clock regular and non-regular inspections on power and water utilization in each floor and each department of the base; maintains proper inspection records and publicly criticizes the departments with behaviors of wasting. Besides that, the water filtration devices are installed in the fountains of the bases in order to achieve the goal of water conservation with a lower frequency in water changes. Promotional activities in respect of energy conservation and emission reduction are held to educate and encourage employees to save energy and reduce emissions, at the same time cultivating their environmental protection awareness.

Electricity accounted for 97% of the total energy consumption of the Group, which produced over 80% of CO_2 emissions by the Group during the reporting period. Therefore, the Company endeavors to control the growth of electricity consumption and increase the use of renewable energy. Distributed photovoltaic power generation projects have been launched in both Science City and Development Zone, which generated 2 million kWh of electricity per annum and saved power fees of approximately RMB1.50 million annually. The Development Zone shifted to using magnetic levitating central air conditioners for the first time, which has demonstrated remarkable energy-saving effects. This led to a year-on-year decrease in energy consumption by over 40%. During the year, the electricity consumption of the Group reduced by 9% year-on-year.

The Group formulated specific energy-saving and emission-reduction measures based on the actual situation. In an effort to promote green office operation, the Group incorporated energy-saving and emission-reduction practice into every aspect of business operation from purchasing, production to office operation. Starting from all aspects of office energy consumption (air conditioners, energy-saving lamps), personnel control and regional control, the Group advocated "start with me", adopted new technologies, new materials and new processes for energy saving and consumption reduction, and strove to make due contributions to facilitate energy saving and consumption reduction by some good methods.

The Group planted more trees in the Knowledge City. According to the preset scheme, a tree may reduce CO_2 emission by 23 kg per year, the addition of 16 trees may reduce CO_2 emission by 0.37 ton.

	2022			2021		
Type of energy	Total amount	Unit	Density (Unit/ten thousand HK$)	Total amount	Unit	Density (Unit/ten thousand HK$)
Electricity	21,218,793	kWh	33.33	23,425,923	kWh	39.91
Municipal water	140,622	cubic meter	0.22	121,285	cubic meter	0.21

(III) ENVIRONMENT AND NATURAL RESOURCES

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

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

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

(IV) CLIMATE CHANGE

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

V. EMPLOYMENT AND LABOUR PRACTICES

(I) EMPLOYMENT

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

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

As of 31 December 2022, the Group had 5,324 members in total. The Group is committed to ensuring equal employment opportunities and protecting the rights of female employees. The Group's employment policy seeks to eliminate gender discrimination and female employees are all entitled to maternity leave according to the local laws. The Group's employees are located primarily in the PRC with certain employees located in the other districts such as Europe and Southeast Asia.

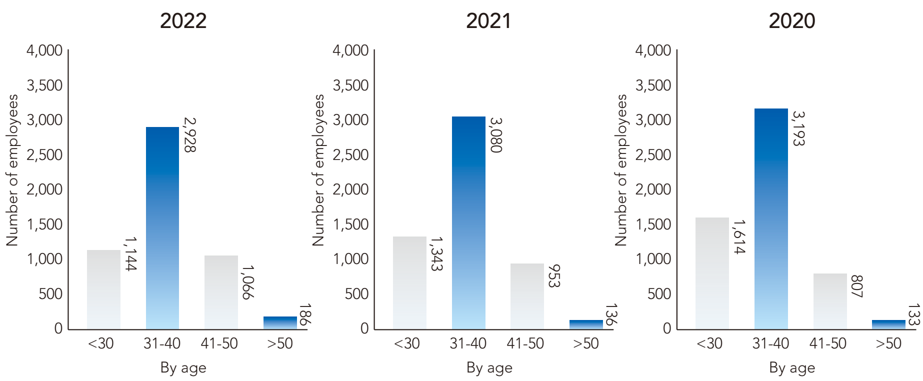
The Group has always attached importance to the competitiveness of employees' remuneration packages. It adjusted the annual organizational incentive model to further motivate the organization and employees. It also improved its long-term incentive framework and optimized the flexible benefit system, in a bid to satisfy the diversified demands of employees and enhance core employees' satisfaction of remuneration.

The Group has a robust performance management system in place and has implemented performance assessment for all employees. It has improved the assessment and incentive system and the restraint and supervision mechanism to ensure the fairness and credibility of performance assessment.

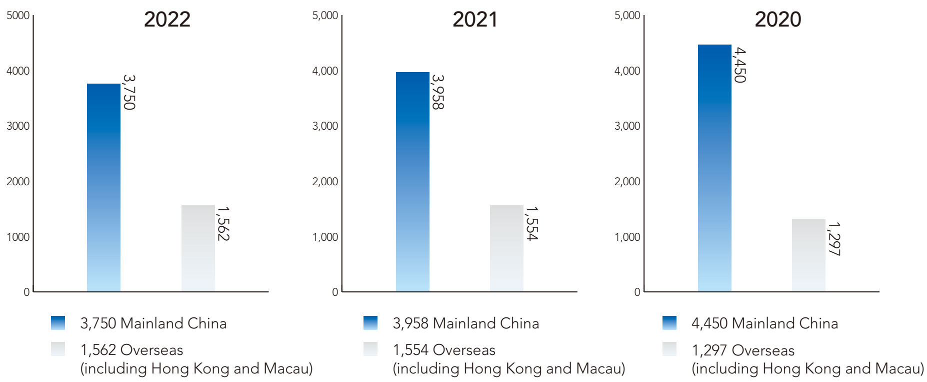
During the reporting period, the Group has complied with relevant laws and regulations that have a significant impact on the Group relating to employment.

Total number of employees

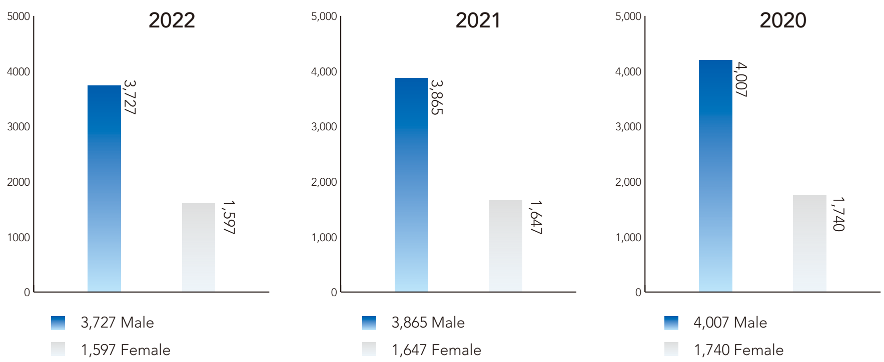
By age



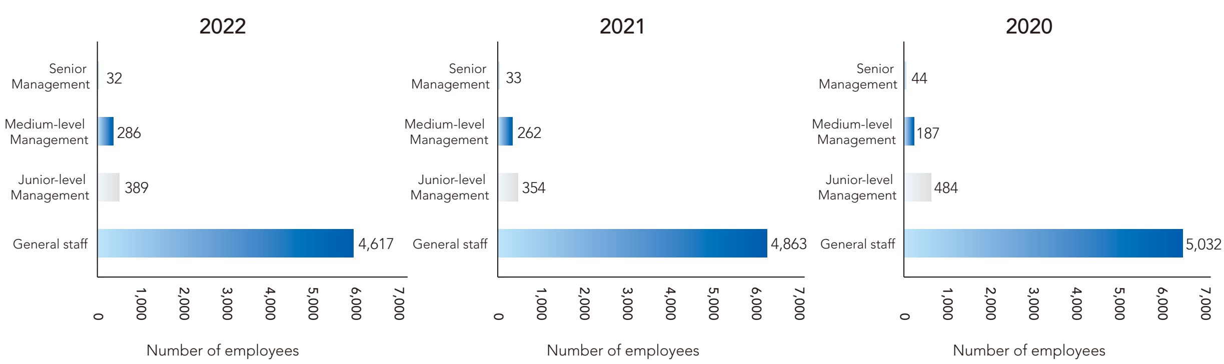
By geographic location



By gender

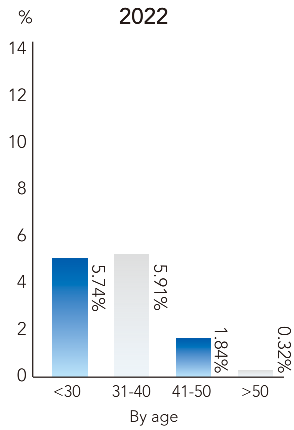


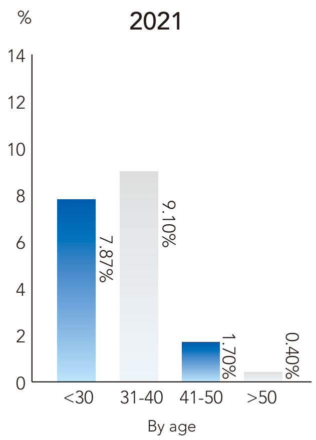
By position



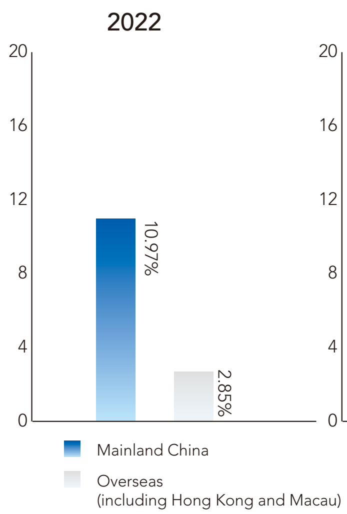
Turnover rate of employees

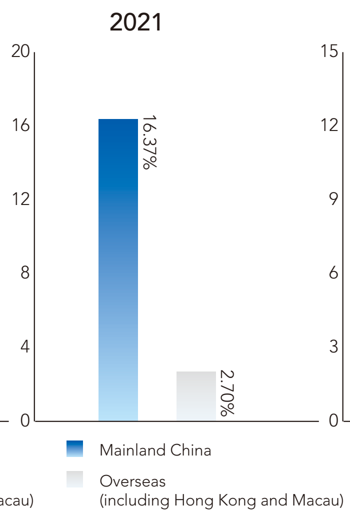
By age



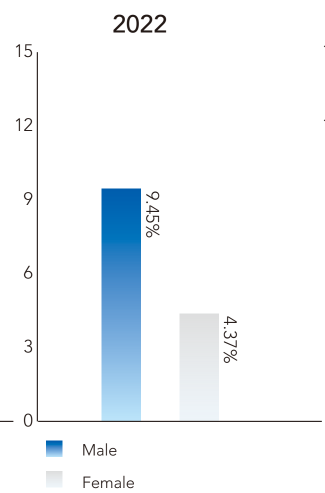


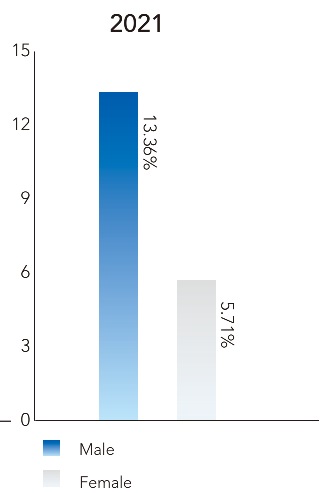
By geographic location





By gender





(II) HEALTH AND SAFETY

In order to protect environmental and personal health and safety, pursue social benefits and ensure social interests, the Group has established the ISO45001 Occupational Health and Safety System, and SA8000 Social Responsibility System so as to protect employees' health and safety. Such systems are operated in combination with quality management system to deliver the Group's commitment to the community and its employees.

There were no employees died because of their work in the Group between 2018 and 2022. Zero fire accident was reported across all business units, and there were no loss days caused by work-related injury.

In 2022, the Group fulfilled its primary responsibilities of safety management and effectively carried out safety management and pandemic prevention and control. In addition, the Group resolutely adhered to the "Safety First, Prevention Dominance and Comprehensive Governance" guidelines and paid close attention to work safety.

Ensuring Safe Production

1. Conscientiously implementing the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), fully implementing the main responsibility of the enterprise, establishing a sound responsibility system, and implementing safety responsibilities at every level. Establishing safety management policies and procedures: The Group has established safety management policies such as the Management Procedure of Safety and Environmental Protection for Construction Project (《建設項目安全和環境保護管理程序》), the Fire Control and Safety Management Regulations (《消防安全管理規定》), the Safety Production Responsibility System (《安全生產責任制》), the Labor Protection Standards of Production Position (《生產崗位勞動保護標準》) and the Transportation Safety Management Regulations (《運輸安全管理規定》). At the same time, it has refined various safety management policies and safe operating procedures of all levels. Pursuant to which, all persons in charge are required to sign the Safety Production Responsibility Paper (《安全生產責任書》), and all the division principals are directly responsible for safety performance of their respective areas and timely rectifying potential safety hazards.

2. Continuing to put efforts to improve environmental safety, regularly organizing the supervision and inspection of employees' work sites, and continuously improving the working environment and working conditions of employees. The Group attaches great importance to the physical and mental health of its employees and provides free medical examinations for all employees every year. Health consultation, critical illness insurance and other related services are also offered to employees. In order to enhance the living quality of employees, the Group replaced 44 water purifiers in Science City, realizing the transformation from "having water to drink" to "drinking quality water". Furthermore, maternal and child care rooms are set up to cater to the special needs of female employees.

   With a lot of funds invested, apparatuses and equipment devoted, the Group keeps improving working environment and protects the personal safety and health of its employees with special positions equipped with corresponding appliances for labor protection. Also, its employees' safety awareness and self-defense capability are strengthened through safety training. The Group puts up educational safety posters in its bases and dormitories, striving to instill the consciousness of safe production in every employee.

3. The Group continues to strengthen the publicity and promote training with regard to health and safety of all staff and formulates a safety manual in respect of production operation for staff compliance, with a view to promoting general improvement of health and safety awareness of all staff and thus creating a good atmosphere of production safety. The Group organized 5 training programs in relation to work and production resumption, health and safety, FM200 fire extinguishing system, chemical safety and fire safety.

   During the year, regular annual fire drills and 3 drills for other types of emergencies, including heat stroke, food poisoning and elevator safety training, were held for all employees so as to continuously enhance their emergency response capability. Meanwhile, a fire emergency team, which is responsible for urgent evacuation of personnel in emergency, is established to protect its employees' life and property security.

4. The Group has established special safety inspection system and conducted 12 major safety inspections during the year, which covered a variety of measures, including daily safety check, seasonal safety check, and safety check before and after holidays. Inspection results are promptly reported, so that potential hazards can be identified and rectified in a timely manner to prevent the occurrence of related risks. The Group was repeatedly awarded as "Advanced Enterprise in Production Safety (安全生產先進單位)" and "Enterprise with Qualified Work Safety Standardizations (安全生產標準化達標企業)" in Guangzhou City.

   During the reporting period, the Group has complied with relevant laws and regulations that have a significant impact on the Group relating to health and safety, including the provision of a safe working environment and protection of employees from occupational hazards.

Strengthening Pandemic Prevention and Control

1. Based on its actual situation, the Company established a team for pandemic prevention and control, set up a temporary pandemic quarantine zone, convened pandemic-related meetings on a regular basis, and implemented various requirements of the government.

2. Taking the initiative to fight the pandemic, the Company devoted more efforts in promotion and mobilization to implement pandemic prevention and control measures, at the same time launching a column related to pandemic prevention. In 2022, a total of 37 pandemic-related company announcements and 76 informative articles in respect of pandemic prevention were published. In compliance with the requirements of the government, the Company fostered effective closed-loop management and monitored its implementation, thereby ensuring the timeliness and accuracy of its pandemic prevention and control measures.

3. Safety Supervision: Pandemic prevention and control have been included in daily safety management. Personnel who failed to wear a mask or implement pandemic prevention measures as required by the Company would be cautioned and stopped without delay. The Company has guided its employees to take proper precautions against the pandemic.

4. Remedial Measures and Emergency Response for Unusual Situation: A temporary quarantine zone equipped with effective anti-pandemic supplies was set up. In the event that an employee exhibits unusual symptoms, he/she would immediately be sent to the temporary quarantine zone and the responsible three-person team and district office of the respective area would be notified. The Group would then conduct proper epidemiological investigations, trace and follow up with close contacts, and disinfect the infected area pursuant to relevant guidelines.

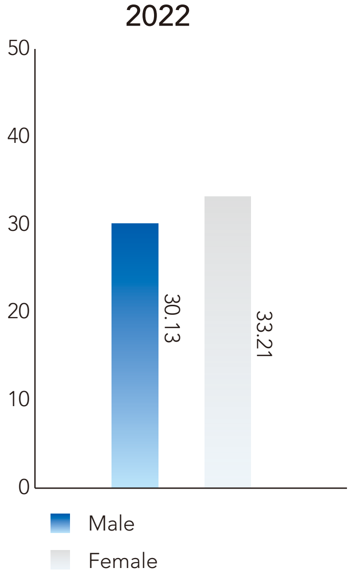
(III) SUPPORTING EMPLOYEE DEVELOPMENT

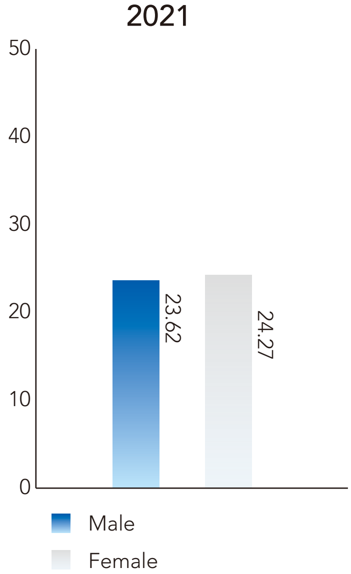
The Group attaches importance to employees' career development, enhancing the talent pool building of operation and management staff as well as professional staff. The Group offers dual promotion paths, namely "promotion for management functions" and "promotion for technical expertise" and implements a system that links remuneration and promotion to employees' working experience, capabilities and performance to stimulate their enthusiasm at work. All employees of the Group must receive training every year and 100% employees attended training.

Average hours of training completed by each employee

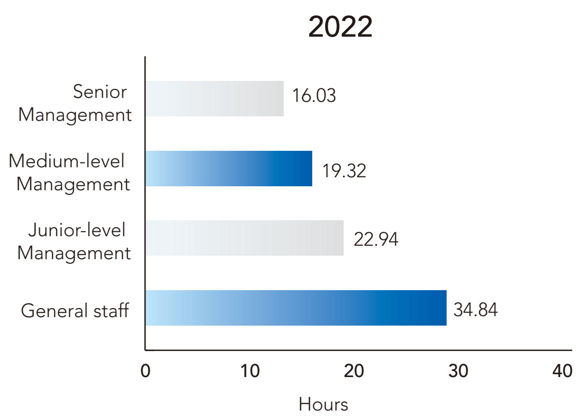
Breakdown of employees

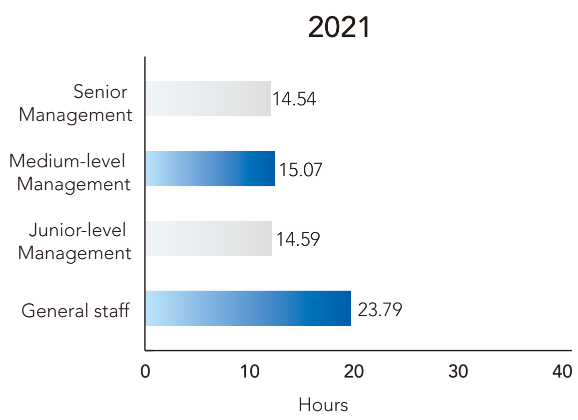
Gender





Position





Faced with changes in both external and internal environment, the Company stays committed to its culture and core values. The Company leverages its business agility to consolidate resources and support the development of its multi-pronged business organization and mechanism. It also enhances organizational capability and efficiency by advancing the reforms of organization and talents in an orderly manner. In the past two years, the Group devoted continuous effort in carrying out specialized works to boost its project management capability. It organized special exchange studies, optimized the mechanism and enhanced its capabilities in various areas, including marketing, research and development, services and functional management. The Group has been focusing on the cultivation of talents. On such basis, the Group advocates the talent concept of "promote the outstanding among flourishing talents" and establishes an effective and systematic talent training system, which is designed to enhance its employees' knowledge, capability and skills. In view of the Group's demand for talents arising from its development goals, the Group ensures effective implementation of training from the five aspects of training regulation system, training program system, training instructor system, training material system and training operation system. The Group has been granted the qualification of independent recognition of national occupational skill with respect to telecommunication, and awarded "national" qualification certificates to over 600 persons in total upon performance assessment.

1. **Enhancing Orientation Training for New Employees**
   In order to help its new employees to adapt to their posts as soon as possible, the Group offers well-established orientation training programmes to new employees, which cover training on occupational health and safety, corporate culture, rules and regulations, organization management, quality management, trade secrets and intellectual property rights, anti-fraud, process and IT know-how and the application of office software, information security, product and professional knowledge, job practice and other aspects.

2. **Professionalizing Training Camp for Undergraduates**
   For the purpose of facilitating the undergraduates recruited from university to successfully transform from a student to an employee, the Group has specially organized the professionalizing training camp for undergraduates. In addition to completing the orientation training for new employees, it has adopted disciplinary training, team outward bound training, task and challenge completion, in-class lectures, group activities and other training methods to deepen their perception of professionalization and their understanding about the Group.

3. **Building a Stronger Talent Pool of Operation and Management Staff**
   The management serves as the core strength in the operation and management of a corporate. Therefore, the Group has formulated and released the Comba Telecom Leader Competency Model (《京信通信幹部勝任力模型》) and Comba Telecom Leader Management Manual (《京信幹部管理手冊》) in a bid to adaptively enhance its management standard and operation capacity. In 2022, the Company launched a series of training program titled "Project Management", which helped solidify the knowledge base of the management in respect of project management. The Group continuously nurtures management personnel and issued the Guidelines for Development and Management of Leadership Talent Team of Comba Telecom (《京信幹部人才梯隊建設管理》). It strengthens the leadership and management skills of its management team by optimizing the leader management mechanism, recommending high-quality strategies and management training courses and providing practical training. It also fosters a culture of continuous learning and cultivates the strategic, innovative and team skills of management, so as to comply with the position-specific requirements for Comba Telecom management and meet the demand for future development of the Group. Meanwhile, such training programs also boost management's self-management skills, promote their career development in a more systematic way and better motivate and retain high-calibre managers.

4. **Establishing a Better Team of Internal Lecturers**

The Group regularly organizes skills upgrading training and certification works for its internal lecturers in order to build up the team of internal lecturers, improve their teaching skills, broaden their horizons and promote the accumulation and inheritance of its corporate culture. So far, there are 230 internal lecturers. In addition, the Group invites industry experts to provide its internal lecturers with full set guidance on curriculum development, teaching and presentation. Furthermore, the Group builds its branded lecturer team and delivers a series of excellent courses through after-class practices and getting certification and approval of internal lecturers.

5. **Position-specific and Professional Knowledge Training and Competitions**

In order to improve the competence of employees, the Company has continuously carried out position-specific and professional knowledge training and practices through a three-level training system and by ways of instructor coaching, internal training, training by external lecturers, external training and on-the-job practice. Extensive On the job Training (OJT) has been provided to better align the training with actual job needs. Various branches and subsidiaries have repeatedly held skills competitions to encourage employees to develop their personal professional ability based on the requirements of the Company and the position, laying the foundation for the Company's stable business operation and employees' career development.

6. **Launch of I-learning Online Platform**

The Group launched a newly-upgraded learning platform, the "i-learning" platform, based on the SAAS platform in September 2022, which substantially broadened the knowledge pool and enriched the learning experience of online learning. As of the end of December, there are more than 1,500 online courses on the platform and over 3,200 persons have used this learning platform, with average learning hours of over 8.5 hours. This online learning platform has broken the limitation of traditional training for departments and employees and ensured the consistency and efficiency of learning information and through which, the employees may always use their fragmented spare time to study in a systematic manner. Meanwhile, this platform also facilitates the development and improvement of the Group's training system, thereby contributing to developing the Group into a learning-oriented organization.

(IV) SAFEGUARDING THE BENEFITS OF EMPLOYEES

To safeguard employees' rights and benefits in compliance with applicable legal requirements, the Group strictly implements relevant national and local laws and regulations on labor and enhances its employment management. Various subsidiaries carry out stringent management on recruitment and employment matters in compliance with the requirements under the Labor Law of the PRC, the Labor Contract Law of the PRC and the relevant national laws and regulations, and uphold the principles of equality, voluntariness and consensus to guarantee staff's rights and interests in conformity with legal provisions.

The Group has entered into labor contracts with employees in writing to safeguard their basic rights and ensure fulfillment of obligations by both parties. Working hours as well as holidays and leaves are specified under the contract, and the Group undertakes to pay full salaries and make social insurance contributions. Detailed requirements in relation to termination of the labor contract by employees are also stipulated and executed in compliance with relevant laws and regulations.

The Group adheres to fair employment policies, such as gender equality and equal pay for equal work, and provides promotion opportunities to employees. It also specifies the recruitment requirements and form of employment, at the same time strictly implementing the relevant requirements of Prohibition of Child Labor Provisions. In order to prohibit the use of child labor and forced labor in compliance with relevant laws, it conducts strict identification verification on the interviewee to make sure the age meets the minimum working age stipulated by the government. Where it is subsequently discovered that any employment does not strictly adhere to the Group's policy against child and forced labour, the person in question will be suspended from work immediately and sent to the original residing address for the supervision by the parents or guardians, and the Group will be responsible for paying the necessary transportation and accommodation expenses, as well as the wages for the actual work period. During the Current Year, the Group was not aware of any non-compliance incident with relevant laws and regulations that have a significant impact on it relating to preventing child and forced labour. The Group also establishes and maintains a non-discrimination policy to make sure that all its employees are free from discrimination in recruitment and real-life practice such as promotion, receiving awards, gaining training opportunities and dismissal due to reasons including race, skin color, age, gender, ethnicity and disability, and are treated equally. Additionally, the Group also develops and maintains an effective grievance and complaint procedures to protect its employees' human rights and labor interests. In 2022, there were no incidents of discrimination, use of child labor and employee abuse.

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

The Group formulates the staff holiday system, offers job skills training and establishes a labor union. Besides, it also attaches much value to staff care, health and safety as well as boosting their sense of belonging.

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

VI. OPERATION MANAGEMENT

(I) SUPPLY CHAIN MANAGEMENT

The Group has in place a sound procurement management system, and carries out the Bidding Law of the People's Republic of China and other procurement related laws and regulations strictly. The Group has established supplier acceptance, performance appraisal and exit mechanisms, by which the regulated management of the key processes of supply chain such as the placing of purchase order, the entering into of contracts, product acceptance and the settlement is achieved.

Locations of suppliers	2022	2021	Comparison
First-tier cities in Mainland China	341	307	11%
Other cities in Mainland China	247	264	↓ 6%
Overseas (including Hong Kong and Macau)	434	528	↓ 18%
Total	1,022	1,099	↓ 7%

Despite the global pandemic spread, the Group has continued to ensure supply continuity and timely delivery to customers, which amply demonstrates that the business continuity management systems and mechanisms formulated by the Group are effective. Meanwhile, it has widely cooperated with thousands of suppliers and business partners and developed long-term business relationship.

Strengthening the regulated management

The Group implements comprehensive certification of its newly introduced suppliers through a multi-dimensional inspection, assessment of systems and technical capability of suppliers to achieve a full accreditation on the comprehensive capability of the suppliers, and regards sustainable development as one of the basic conditions and requirements in introducing suppliers, so as to assess suppliers' capability and level to comply with laws and regulations and sustainable development agreements. To ensure the bidding of our projects is lawfully processed, we strictly comply with the requirements of the national laws and regulations and consistently select the suppliers by way of open tendering. Suppliers are required to undertake that they carry out business in compliance with applicable laws and regulations and meet the requirements for sustainable development. The Group has entered into Agreement of Corporate Social Responsibility (《企業社會責任協議》) with material suppliers to establish a code of conduct on integrity and law abiding, human rights, labor standards, health and safety, environment and prohibited business acts, which is a necessity to carry out supplier certification, audit and performance assessment. During the year, more than 512 suppliers have signed the agreement.

Pursuing the fair, just and open principle, the Group has exercised standardized management on each procedure of procurement, while incorporating the social and environmental considerations into the whole process such as selection and engagement of suppliers, signing of contracts and assessment.

Conducting hierarchical management

The results of supplier performance assessment are utilized for supplier management to enhance the cooperation with suppliers and promote their sustained improvement. Suppliers are subject to annual comprehensive assessment based on various factors such as their business volume, daily assessment, quality performance, RoHS risk, environment and safety. Over 51 suppliers have been selected for on-site audit in 2022. Suppliers with excellent performance are entitled to increase purchase percentage on the same conditions and provided with priority of business cooperation. Suppliers with poorer grades in performance assessment are provided with respective training and coaching so as to drive suppliers to regard corporate social responsibility as a requirement of product and related production process, and integrate it into business decision making and daily operation, thus establishing effective management system.

The Group has taken incentive measures for suppliers with outstanding performance, such as increasing the proportion of down payment and making priority payment to them. It also takes disciplinary measures such as urging improvement and restricting procurement for unqualified suppliers. For suppliers committing misconduct, the Group takes disciplinary actions such as downgrading their financial ratings, adjusting share of procurement from them, restricting procurement and prohibiting procurement so as to gradually enhance suppliers' awareness of contract performance, and promote the suppliers' sincere cooperation.

Performing responsible purchase

The Group attaches great importance to the issue of conflict minerals and publicly states that it will not purchase or support the utilization of conflict minerals. All suppliers are required not to purchase conflict minerals and their sub-suppliers are also so required. The Group identifies the material lists and supplier lists relating to conflict minerals in accordance with OECD Guidelines for Due Diligence of Conflict Minerals (《OECD衝突礦物盡職調查指南》) and adopts conflict mineral questionnaire (CMRT Form) under Global Conflict Free Sourcing Initiative (全球無衝突採購倡議) (CFSI) to carry out due diligence and analysis on 95% of its suppliers.

The Group also attaches importance to environmental risks. For the acceptance of suppliers, the Group collects the RoHS testing qualified report from suppliers and formulates a period for the renewal of such report in order to carry out regular monitoring on suppliers' results of RoHS testing, thereby promoting the use of environmentally-friendly materials by suppliers. Over 289 renewed RoHS testing qualified report are collected during the year.

During the year, the Group continued to optimize and reform its product packaging. The Group prioritized the adoption of environment-friendly technologies in the construction of new projects, during which an inspection report shall be submitted regarding the materials used so that all materials can meet the national requirements for environmental protection, the use of recyclable packaging material can be enhanced and all materials will not cause contamination to the surrounding environment when used.

Type of Packing material	Unit	Consumption in 2022	Consumption in 2021	Comparison
Paper boxes and paperboards	tonne	1,754	1,508	↑ 16.27%
Wooden boxes	tonne	610	640	↓ 4.69%
Packing accessories	tonne	391	340	↑ 15.03%
Straps	tonne	121	114	↑ 6.40%
Other packing materials	tonne	240	254	↓ 5.51%
Total packing materials	tonne	3,116	2,856	↑ 9.10%
Consumption of packing materials per ten thousand HK$ sales revenue	tonne/ ten thousand HK$	0.0049	0.0048	↑ 0.61%

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

2. Packaging materials include straps and carton-sealing tapes

3. Packaging boxes include paper boxes and wooden boxes

(II) PRODUCT RESPONSIBILITY

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

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

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

Persisting in the long-term investment in R&D, the Group continues to build its own pool of intellectual properties. It not only puts emphasis on the protection of its proprietary intellectual properties and trade secrets, but also respects the intellectual properties and trade secrets of others. The Group strictly upholds the privacy right of customers by formulating and implementing confidentiality management policies for strict protection of the Company's and customers' secrets. Through various systems such as VI Standards on Management and Utilization (《VI管理及使用規範》) and Management Measures on External News and Publicity of the Group (《集團對外新聞宣傳管理辦法》), the Group has strengthened its management of corporate brand image and sensitive information so as to ensure all the business activities of its employees are in compliance with the laws and relevant contracts.

(III) PROTECTION OF INTELLECTUAL PROPERTIES

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

The Group has applied for patents since 2002. The number of patents applied has increased on an annual basis. As of the end of 2022, the Group has applied for over 5,600 patents in total at Mainland China and abroad (including Hong Kong and Macau) and over 3,800 patents have been granted, of which more than 3,700 patents have been applied for with respect of invention and more than 2,000 patents have been granted. The main trademark of the Group, "Comba", has been granted approval for registration in 50 countries and regions across the world.

The Group has received sufficient recognition from outside with respect of its achievement in intellectual properties. Since the Group settled the first liability claim among PRC in respect of foreign infringement of intellectual properties in 2020, the Group has taken out the insurance policy for three consecutive years.

In 2022, the Group was awarded the Silver Prize of the 23rd China Patent Award, Golden Prize of the 9th Guangdong Patent Award, Excellent Prize of the 9th Guangdong Patent Award. In addition, the Group was elected as the vice presidential unit of Guangzhou Intellectual Property Development Association, and Comba Telecom Technology (Guangzhou) Limited was elected as the National Intellectual Property Advantageous Enterprise. Comba Network Systems Company Limited has successfully passed the national assessment and review on qualifications of the demonstration IP enterprises. Comba Network Systems Company Limited, Comba Telecom Systems (Guangzhou) Limited and Comba Telecom Technology (Guangzhou) Limited have successfully passed the monitoring, assessment and review under the 2022 National Regulated Management Standard of Intellectual Property.

(IV) PRODUCT QUALITY

The Group regards quality as its life. Hence, the Group has built up a robust quality control team to take charge of incoming inspection, production process and delivery inspection of products, so as to make sure all its outgoing products meet its customers', corporate and national or international relevant standards and requirements. It has put in place all-process quality management and developed a complete system of processes to ensure integration of various requirements such as compliance, reliability, quality, internal control, network safety and privacy protection and information security into various business areas including marketing, R&D, delivery and services, supply chain, procurement and manufacturing. All products of the Group in Mainland China have conformed with and passed the "3C" certifications, namely the National Safety Certification (國家安全認證) (CCEE), the Imported Products Safety and Quality Licensing System (進口安全質量許可制度) (CCIB) and the Electro Magnetic Compatibility Certification in China (中國電磁兼容認證) (EMC), while all its overseas products have conformed with and obtained the certification of American Underwriters Laboratories (美國保險商試驗所) (UL). In 2022, they also successfully passed the IATF16949 certification and review of the quality management system for the automobile industry.

The Group's products have undergone strict reliability tests in terms of high and low temperature, water spilling and electro-magnetic compatibility and the staff performing such tests have undergone strict professional quality training and obtained relevant certificates. The Group carried out sample testing regarding the manufacturing process of products and products ready for final shipment underwent 100% testing and will only be shipped when the requirements are met. Neither sold or shipped products of the Company has been recalled for safety and health reasons. The Company has set up multiple online and offline channels for gathering customers' feedback. In 2022, the Company received 13 complaints regarding products and services and analysed the reasons and formulated improvement measures for customer complaints as well as identifying solutions and making improvements in accordance with the 8D reporting management principle.

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

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

(V) INFORMATION SECURITY

The Group attaches great importance to information security and privacy protection of the Company, the staff and the customers, and strictly implements the information security and confidentiality policy. In order to effectively ensure the security of the Company's information system and improve the ability of the information system to serve the Company's production and operation, the Group has formulated and continuously revised and improved the Information Security Management System (《信息安全管理制度》) and Information Security System (《信息安全體系》). The Group actively conducts hidden threat clearance and rectification work regarding cybersecurity loopholes of the network and systems, continuously enhances the management of cybersecurity and information security, optimizes practices and procedures for handling online information security and improves the capability of handling risks regarding online information security. Information security is comprehensively managed from six aspects: IT infrastructure protection, computer terminal management, application system management, data management, network management, data backup and disaster recovery system to ensure information security and prevent data breach. Meanwhile, the Group also organizes relevant training to effectively raise the staff awareness of privacy and data protection. The Group strictly performs relevant non-disclosure terms in accordance with the requirements set out in the contracts entered into with the customers and based on actual needs, enters into non-disclosure agreements with employees.

Regarding the protection of trade secrets, the Group adheres to the guiding principle of improving work performance through active prevention, follows the principles of "informing based on needs" and "separating", and in accordance with the principle of "whoever generates it is responsible for it", the Group strictly determines the personnel who need to know the trade secrets based on operational needs and implements separate management of information.

At the same time, the Group has established and continuously improved the internal rules and regulations for the management of trade secrets. With the implementation of an online systematic management model, it manages the various trade secrets of the Group through standardized sorting and classification, sets up confidentiality warning signs, defines confidential areas, formulates confidentiality clauses and confidentiality agreements, and standardizes information confidentiality disciplines. The Group constantly updates and improves its trade secret management system from multiple dimensions such as physical environment security, electronic information security and human resource management.

VII. ANTI-CORRUPTION

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

To effectively carry out the integrity campaign, the Group continues to improve its internal audit rules and regulations and the internal control system with the aim of strengthening internal supervision, risk management and anti-corruption management. To reduce operation risks, an internal audit department is in place to exercise monitoring over the issues of the Group including financial incomes and expenses, budgets, final accounts, asset quality, operating performance and other economic activities. As a member of China Enterprise Anti-Fraud Alliance, the Group has proactively communicated with other alliance members to learn advanced external experience and address its deficiencies. The Group has developed a series of anti-fraud and anti-corruption systems, comprising the Code of Conduct and Management Code on the Group's Managers (《集團經理人行為準則及管理守則》), Accountability System of Marketing Platform Operation (《市場營銷平台經營問責制》), Purchasing Accountability System (《採購問責制度》), Regulations on Integrity of Purchasing Staff (《採購業務人員廉潔從業規定》), Accountability and Incident Management System in relation to Key Responsibility (《關鍵責任事件問責管理制度》), Anti-corruption Policy (《反舞弊制度》) and Standards of Commercial Conduct (《商業行為準則》). The Group has also implemented various operation procedures, including Management Regulations for Anti-Fraud and Anti-Corruption (《反舞弊反腐敗管理規範》), Compliance Management Regulations (《合規管理規範》) and Management Regulations for the Integrity of Staff in Sensitive Positions (《敏感崗位從業人員廉潔管理規定》). During 2022, the Group has updated the Employee Manual (《員工手冊》) and Comba Management Manual on Leaders (《京信幹部管理手冊》) to emphasize that anti-corruption and anti-bribery should act as the red lines indicators for the leaders. The Group has zero tolerance for behaviors that may touch the red lines. Meanwhile, the Group has reinforced training for its employees and promoted the implementation of the above systems and the corporate culture of anti-corruption by posting articles and cases in relation to anti-corruption on its public accounts, hence strengthening the awareness of anti-corruption of all employees and encouraging them to participate in supervision by giving feedbacks and reporting any internal operational defects or irregularities of the Group through multiple channels including telephone, email and WeChat, thus prohibiting any forms of illegal operation activities such as bribery, fraud and corruption and fostering its corporate culture of integrity and compliant operation. The Group addresses the identified issues in a timely manner according to the laws and regulations to ensure the implementation of the relevant systems.

The Group has always attached importance to establishing a sound corporate culture of anti-corruption by strengthening employee training to develop their awareness of anti-fraud and anti-corruption. New employees have to receive orientation training in relation to the publicity of anti-fraud and anti-corruption culture. The Group also organizes publicity of its anti-corruption culture in daily operation through various ways including offline special training, Comba Colorful Classes, Comba Lessons (京日説法) and E-Learning online learning platform. Besides, the Group has organized special training on integrity and anti-corruption for specific personnel, including marketing staff and procurement staff. In respect of audit, the Group puts emphasis on the issues such as business ethics and anti-corruption and accordingly, carries out internal control and audit and risk assessment regularly.

During 2022, despite the impact of the pandemic, the Group insisted to conduct online integrity training for personnel including procurement staff, marketing staff, production logistics staff, promoted leaders and newly recruited staff with a total of 12 training hours. In order to strengthen the awareness of anti-corruption of all employees, a total of 28 training sessions were held with a total of 67 training hours during the last few years.

VIII. COMMUNITY AND PUBLIC WELFARE

Whilst accelerating its own development in a healthy and rapid manner, the Group is devoted to supporting social charity and proactively fulfills its social responsibilities and obligations. It has devoted many human and financial resources to various aspects including public welfare activities, poverty alleviation, donations for school, staff care and expressing greetings and concern to the injured and disabled. In 2022, the Group made a total donation of HK$541,000 on aspects such as social charity, poverty alleviation, provision of financial assistance to poor students and social activities.

The Group provides telecommunication guarantee for major events. In September 2022, earthquake of magnitude 6.8 occurred in Ganzi, Sichuan. Comba Network, Sichuan Branch timely responded to take rescue measures, deployed readily 9 sets of emergency satellite high-power 4G pico cells and arranged professional technological teams for round-the-clock technological guarantee. With concerted efforts of customers, the Group has provided guarantee for the 4G business of an accumulated total of more than 2,000 users.

In response to the pandemic prevention and control, the Group has contributed its digital and intelligent efforts, timely published the relevant government policies, prepared the pandemic control manual and pandemic emergency plan, emergency plan for closure of production plants and others to ensure that the measures were most updated and for the easy reference of and search by all divisions. According to the governmental requirements, the Group has, amongst others, created group collective codes, sentry-point Cloud system, allocated "sentries fighting the pandemic" at the gates to categorize and register staff in writing, implemented the sound COVID-19 testing mechanisms and digital management and organized nucleic acid testing regularly, thereby identifying and solving any problems as soon as possible.

The Company organized the receipt of vaccine booster doses by employees, and a total of more than 800 people were vaccinated with more than 20 nucleic acid testing conducted at designated spots, which ensured the health and safety of employees and built a solid barrier for pandemic prevention and control.

The Group organized and participated in more than 18 various cultural and sports activities in 2022. These activities mainly included a series of large-scale competitions organized during the Group's Sports Day such as badminton, swimming, table tennis, basketball games, chess and poker, and other activities such as the "Spring Festival Cup" online friendly chess match, rotational friendly match run by Chinese Chess Association, "Golden Autumn October Chess Tournament", the "Sending Blessings with New Year Couplets" activity, the garden tour activity in the Mid-Autumn Festival, symposium on March 8th Women's Day, Goddess Care event, networking event, friendly badminton match, badminton training, yoga training, dance training, chess game training, seminar on prevention, treatment and rehabilitation of cervical spondylosis and movie viewing activities for employees. The number of employees participating in the Group's cultural and sports activities were more than 3,000 in 2022, which facilitated the building of corporate culture of the Company, enriched leisure and cultural life of employees, stimulated their interests, hobbies and skills, effectively promoted the cultural and sports activities for employees, enhanced communication and cooperation among divisions, strengthened team building and cohesion, further disseminated the good cultural environment of Comba and paved ways for the development of corporate and community cultural and sports activities.

In 2023, the Group will thoroughly implement the new development concept of putting efficiency first, strengthen technological innovation, promote technological progress, business upgrading and operational innovation of the enterprise, and make new contributions to promoting high-quality development.

ON BEHALF OF THE BOARD OF
Comba Telecom Systems Holdings Limited

Fok Tung Ling
Chairman
Hong Kong
23 March 2023

REPORT OF THE DIRECTORS

The board (the "Board") of directors (the "Director(s)") of Comba Telecom Systems Holdings Limited (the "Company") present their report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022 (the "Current Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Current Year.

BUSINESS REVIEW

Business review of the Group for the Current Year and discussion on the Group's future business development and the principal risks and uncertainties facing the Group are set out in the Management Discussion and Analysis on pages 11 to 21 of this annual report. An analysis of the Group's performance during the Current Year using financial key performance indicators is set out in the 5 Year Financial Summary on page 190 of this annual report.

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

The Group has complied with the relevant laws and regulations that have significant impact on the operations of the Group. The Company is subject to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the Codes on Takeovers and Mergers and Share Buy-backs, the Cayman Islands Companies Act, the Hong Kong Companies Ordinance, the Securities and Futures Ordinance ("SFO"), and rules under Singapore Exchange Securities Trading Limited. The Environmental, Social and Governance Report as contained in this annual report also contains brief description of relevant laws and regulations that have significant impact on the operations of the Group.

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

OPERATING SEGMENT INFORMATION

An analysis of the Group's revenue for the Current Year by the business and location of customers is set out in note 4 to the consolidated financial statements.

RESULTS

The Group's results for the year ended 31 December 2022 and the state of affairs of the Group as at 31 December 2022 are set out in the consolidated financial statements on pages 84 to 189 of this annual report.

DIVIDENDS

As disclosed in the final results announcement for the Current Year of the Company dated 23 March 2023, the Directors recommended the payment of a final dividend of HK1.1 cents per ordinary share for the Current Year (for the year ended 31 December 2021: Nil) payable on 19 June 2023 to shareholders of the Company. Together with the interim dividend of HK1.0 cent per ordinary share for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil) paid on 21 September 2022, the total dividends for the Current Year is HK2.1 cents per ordinary share (for the year ended 31 December 2021: Nil).

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

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

5 YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 190 of this annual report. This summary does not form part of the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the Current Year amounted to HK$541,000.

SHARE CAPITAL, SHARE OPTIONS AND AWARDED SHARES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the provisions of the Cayman Islands Companies Act, amounted to HK$335,087,000. In addition, the Company's share premium account in the amount of HK$1,486,391,000 may be distributed, provided that immediately following the date on which the distribution or dividends proposed to be paid, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

During the Current Year, sales to the Group's five largest customers accounted for approximately 55.8% of the total sales for the year and sales to the largest customer included therein accounted for approximately 24.0% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

As at 31 December 2022, none of the Directors or any of their close associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers.

DIRECTORS

The Directors during the Current Year and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Wu Tielong ("Mr. Wu")

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Siu Ki, Kevin ("Mr. Lau")
Dr. Lin Jin Tong ("Dr. Lin")
Ms. Ng Yi Kum ("Ms. Ng")
Ms. Wong Lok Lam ("Ms. Wong")

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company that is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICIES

Details of the remuneration policies are set out in the section "Employees and Remuneration Policies" on page 21 of this annual report.

PERMITTED INDEMNITY PROVISION

The Articles provides that every Director shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions but such indemnity does not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for XHT No.3 Partnership (as defined below) in which Mr. Wu has interests and XHT No.2 Partnership (as defined below) in which Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo have interests, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, was a party, and in which a Director or his/her connected entities (as defined in section 486 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) had a material interest, whether directly or indirectly, subsisted at the end of the Current Year or at any time during the Current Year.

MANAGEMENT CONTRACTS

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

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

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			
Name of Directors	Notes	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital (Approximately)**
Mr. Fok	(a)	10,364,339	678,115,129	688,479,468	24.763
Mr. Zhang Yue Jun	(b)	–	228,225,410	228,225,410	8.208
Mr. Xu		11,000,000	–	11,000,000	0.395
Mr. Chang Fei Fu		1,000,000	–	1,000,000	0.035
Mr. Bu		4,510,084	–	4,510,084	0.162
Mr. Wu		2,342,049	–	2,342,049	0.084
Mr. Lau		260,000	–	260,000	0.009

Long positions in share options of the Company:

Name of Directors	**Number of share options directly beneficially owned**
Mr. Xu	19,000,000
Mr. Chang Fei Fu	7,500,000
Mr. Bu	8,800,000
Ms. Huo	8,050,000
Mr. Wu	6,800,000
Mr. Lau	250,000
Dr. Lin	400,000
Ms. Ng	200,000

Notes:

(a) These 678,115,129 shares are beneficially owned by Prime Choice Investments Limited, which is wholly owned by Mr. Fok. As such, Mr. Fok is deemed or taken to be interested in the 678,115,129 shares owned by Prime Choice Investments Limited under the SFO.

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

Save as aforesaid and save for Mr. Xu, Mr. Chang Fei Fu, Mr. Bu and Ms. Huo beneficially holding approximately 20.96%, 10.06%, 10.06% and 10.06% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.2 Partnership"), and Mr. Wu beneficially holding approximately 17.68% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)# (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)) ("XHT No.3 Partnership"), both of which are subsidiaries of the Company, as at 31 December 2022, 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 Year, the Directors or chief executive of the Company (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any of such rights, required to be disclosed under the SFO.

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

Details of the share option scheme and share award scheme of the Company are set out in note 30 to the consolidated financial statements. Save for grants underlying these schemes, no equity-linked agreement was entered into by the Company subsisted at the end of the Current Year or any time during the current year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme and Share Award Scheme" above and in the share option scheme and share award scheme in note 30 to the consolidated financial statements, at no time during the Current Year 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

PENSION SCHEMES

Details of the pension schemes of the Group are set out in notes 2.4 and 6 to the consolidated financial statements, respectively under "Other Employee Benefits" on page 125 and "Employee benefit expense" on page 135 of this annual report, respectively.

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

As at 31 December 2022, 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	24.390
Madam Chen Jing Na	(a)	Interest of spouse	688,479,468	24.763
Wise Logic Investments Limited		Beneficial owner	228,225,410	8.208
Madam Cai Hui Ni	(b)	Interest of spouse	228,225,410	8.208

Notes:

(a) Madam Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 688,479,468 shares in which Mr. Fok is interested or deemed to be interested under the SFO, including the 678,115,129 shares beneficially owned by Prime Choice Investments Limited.

(b) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 shares in which Mr. Zhang Yue Jun is interested or deemed to be interested under the SFO, including the 228,225,410 shares beneficially owned by Wise Logic Investments Limited.

Save as disclosed above, as at 31 December 2022, 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 of the Company that was required to be recorded in the register maintained pursuant to Section 336 of the SFO or otherwise notified to the Company and/or the Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into during the Current Year are set out in note 35 to the consolidated financial statements. These related party transactions in respect of compensation of key management personnel of the Group constituted connected transactions as defined in Chapter 14A of the Listing Rules but are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules during the Current Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of more than 25% of the Company's total issued share capital as required under the Listing Rules as at 31 December 2022 and the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

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

AUDITOR

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

RELATIONSHIP WITH KEY STAKEHOLDERS

The Group believes that employees are the primary force in driving its business growth and considers them to be the most valuable assets of a company and strives to help its employees achieve their full potential both personally and professionally. We promote team spirit and offer various training programmes to help improve the competency, work skills, expertise and performance of employees. The training programmes also help employees raise awareness on environmental issues and workplace discrimination to improve their understanding of the strategies and policies of the Group.

Besides, the Group understands that it is important to maintain good relationships with the stakeholders, including business partners, suppliers, customers, shareholders, investors and bankers to achieve its long term business growth and development. With an aim to enhancing the competitiveness, it endeavours to provide consistently high quality and large range of products to its customers; and to build up and maintain a trustworthy and long-term relationship with its suppliers.

ON BEHALF OF THE BOARD OF
COMBA TELECOM SYSTEMS HOLDINGS LIMITED

Fok Tung Ling
Chairman
Hong Kong
23 March 2023

for identification purpose

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Comba Telecom Systems Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Comba Telecom Systems Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 84 to 189, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Inventory provision The Group is principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services. Since the technology develops rapidly in the telecommunications industry, the Group's inventories are subject to significant risk of obsolescence and significant management's judgements and estimates were involved in determining the provisions against obsolete and slow-moving inventories. We focused on this area because balances of inventories were significant to the Group (14% of total assets) and inventory provision was made based on subjective estimates and was influenced by assumptions concerning future consumption. The Group's disclosures about accounting judgements and estimates relating to and the recognition of inventory provision are included in notes 3 and 6 to the consolidated financial statements.	We evaluated the sales forecasts prepared by management for the purpose of identifying slow-moving and obsolete inventories by checking, on a sample basis, to the sales orders and agreements, and assessing the estimated sales by taking into account the accuracy of previous estimations, the historical evidence supporting underlying assumptions and current market conditions. We also tested, on a sample basis, the accuracy of the inventories ageing report. For the net realizable value of obsolete and slow-moving inventories identified, we checked a sample of recent sales invoices for the value.
Impairment of trade receivables Trade receivables comprised 37% of total assets in the consolidated statement of financial position at 31 December 2022. The Group applied a forward-looking expected credit loss model on impairment of trade receivables. This involved judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. Due to the significance of trade receivables and the related estimation uncertainty, this is considered a key audit matter. Details of the impairment of trade receivables are disclosed in notes 3 and 21 to the consolidated financial statements.	We evaluated management's assessment on impairment of trade receivables by checking, on a sample basis, the ageing analysis and settlements made subsequent to the year-end date. For long-aged receivables, we have assessed the Group's provision by considering historical payment patterns, available information concerning the creditworthiness of the customers and any correspondence with customers on expected settlement dates which we sample tested the settlements for proper execution of such repayment schedules. For balances where a provision for impairment was recognized, we understood the rationale behind management's judgement, considering historical patterns of trading and settlement, current economic conditions and forward-looking information as well as recent communications with the counterparties.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible asset As at 31 December 2022, the Group recorded goodwill and intangible assets of HK$243 million and HK$443 million, respectively, as a result of previous acquisitions. Under HKFRSs, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Company performs its annual impairment test on each cash-generating unit to assess whether the goodwill might be impaired as at 31 December. In addition, each year, the Company assesses whether a change in useful life is applicable and/or whether there are any indications of impairment for intangible assets. The test and assessment are largely based on management's expectations and estimates of future results of the (group of) cash-generating units which include the entities acquired in the past. The impairment test is based on the recoverable value of the relevant cash-generating units. The key assumptions and results of the test performed are disclosed in note 14 to the consolidated financial statements. The accounting policies, significant accounting judgements and estimates and disclosures for goodwill are included in notes 2.4, 3 and 14 to the consolidated financial statements.	We examined the forecasted cash flows of the respective cash-generating units which underpinned management's impairment review. We tested the basis of preparing those forecasts taking into account the historical data supporting underlying assumptions. Future cash flow assumptions were examined through comparison with current business performance, seeking corroborative evidence and enquiry with management in respect of key growth and business assumptions. The key assumptions such as the discount rate and terminal growth rate were tested with appropriate inputs from our internal valuation experts. We also focused on the adequacy of the Group's disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
23 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
REVENUE	5	6,364,677	5,869,666
Cost of sales		(4,491,146)	(4,446,835)
Gross profit		1,873,531	1,422,831
Other income and gains	5	236,520	193,320
Research and development expenses	6	(515,798)	(608,940)
Selling and distribution expenses		(565,904)	(597,546)
Administrative expenses		(493,411)	(601,073)
Other expenses		(183,504)	(428,256)
Finance costs	7	(60,198)	(43,761)
Share of profit of a joint venture		5,818	6,968
PROFIT/(LOSS) BEFORE TAX	6	297,054	(656,457)
Income tax expense	9	(153,558)	(16,100)
PROFIT/(LOSS) FOR THE YEAR		143,496	(672,557)
Attributable to:			
Owners of the parent		190,237	(592,567)
Non-controlling interests		(46,741)	(79,990)
		143,496	(672,557)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		HK6.84 cents	HK(21.43) cents
Diluted		HK6.84 cents	HK(21.43) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
PROFIT/(LOSS) FOR THE YEAR	143,496	(672,557)
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(376,990)	127,360
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(376,990)	127,360
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value, net of tax	14,146	16,960
Gains on property revaluation, net of tax	–	35,787
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	14,146	52,747
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(362,844)	180,107
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(219,348)	(492,450)
Attributable to:		
Owners of the parent	(65,026)	(419,601)
Non-controlling interests	(154,322)	(72,849)
	(219,348)	(492,450)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,188,351	1,347,683
Right-of-use assets	13(a)	191,400	216,989
Goodwill	14	242,773	242,773
Deferred tax assets	15	59,584	225,614
Intangible assets	16	726,145	806,267
Equity investments designated at fair value through other comprehensive income	18	76,314	62,813
Equity investments designated at fair value through profit or loss	18	89,871	90,534
Restricted bank deposits	23	27,078	26,195
Time deposits	23	350,861	257,405
Investment in a joint venture	17	6,390	18,354
Total non-current assets		2,958,767	3,294,627
CURRENT ASSETS			
Inventories	20	1,447,911	1,356,335
Trade receivables	21	3,862,632	4,129,136
Notes receivable	22	112,574	97,109
Prepayments, other receivables and other assets	19	430,572	626,994
Financial assets at fair value through profit or loss	18	17,500	3,102
Restricted bank deposits	23	101,056	107,900
Time deposits	23	113,181	245,148
Cash and cash equivalents	23	1,531,669	1,652,228
Total current assets		7,617,095	8,217,952
CURRENT LIABILITIES			
Trade and bills payables	24	4,051,703	4,544,849
Other payables and accruals	25	571,506	623,223
Interest-bearing bank borrowings	26	751,993	644,739
Tax payable		71,407	73,527
Provision for product warranties	27	70,284	75,290
Total current liabilities		5,516,893	5,961,628
NET CURRENT ASSETS		2,100,202	2,256,324
TOTAL ASSETS LESS CURRENT LIABILITIES		5,058,969	5,550,951

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	26	590,000	800,000
Deferred government grant		15,856	–
Deferred tax liabilities	15	167,154	164,063
Lease liabilities	13(b)	47,205	60,300
Redeemable preferred shares in a subsidiary	28	274,028	342,771
Total non-current liabilities		1,094,243	1,367,134
Net assets		3,964,726	4,183,817
EQUITY			
Equity attributable to owners of the parent			
Issued capital	29	278,020	277,892
Treasury shares	29	(22,818)	(22,818)
Reserves	31	3,473,103	3,519,642
		3,728,305	3,774,716
Non-controlling interests		236,421	409,101
Total equity		3,964,726	4,183,817

Fok Tung Ling
Director

Chang Fei Fu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 29)	Treasury shares HK$'000 (note 29)	Share premium account HK$'000 (note 29)	Share-based compensation reserve HK$'000 (note 30)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve of equity instruments at FVOCI HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021		275,060	(22,818)	1,437,024	66,757	45,480	35,624	211,071	85,325	10,025	1,963,365	4,106,913	443,121	4,550,034
Loss for the year		–	–	–	–	–	–	–	–	–	(592,567)	(592,567)	(79,990)	(672,557)
Other comprehensive income for the year:														
Gains on property revaluation, net of tax		–	–	–	–	–	35,787	–	–	–	–	35,787	–	35,787
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	16,960	–	16,960	–	16,960
Exchange differences related to foreign operations		–	–	–	–	–	–	–	120,219	–	–	120,219	7,141	127,360
Total comprehensive loss for the year		–	–	–	–	–	35,787	–	120,219	16,960	(592,567)	(419,601)	(72,849)	(492,450)
Share option scheme														
– value of services	30(a)	–	–	–	24,578	–	–	–	–	–	–	24,578	–	24,578
– exercise of share options	29(a)	2,832	–	47,114	(14,787)	–	–	–	–	–	–	35,159	–	35,159
– transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	(2,717)	–	–	–	–	–	2,717	–	–	–
Share incentive scheme														
– value of services		–	–	–	27,667	–	–	–	–	–	–	27,667	–	27,667
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	38,829	38,829
Transfer to/from retained profits		–	–	–	–	–	(3,015)	–	–	–	3,015	–	–	–
At 31 December 2021		277,892	(22,818)	1,484,138	101,498	45,480	68,396	211,071	205,544	26,985	1,376,530	3,774,716	409,101	4,183,817

		Attributable to owners of the parent												
	Notes	Issued capital HK$'000 (note 29)	Treasury shares HK$'000 (note 29)	Share premium account HK$'000 (note 29)	Share-based compensation reserve HK$'000 (note 30/35)	Capital reserve HK$'000	Asset revaluation reserve HK$'000	Statutory reserve HK$'000	Exchange fluctuation reserve HK$'000	Fair value reserve of equity instruments at FVOCI HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2022		277,892	(22,818)	1,484,138*	101,498*	45,480*	68,396*	211,071*	205,544*	26,985*	1,376,530*	3,774,716	409,101	4,183,817
Profit for the year		–	–	–	–	–	–	–	–	–	190,237	190,237	(46,741)	143,496
Other comprehensive income for the year:														
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	–	–	–	–	14,146	–	14,146	–	14,146
Exchange differences related to foreign operations		–	–	–	–	–	–	–	(269,409)	–	–	(269,409)	(107,581)	(376,990)
Total comprehensive loss for the year		–	–	–	–	–	–	–	(269,409)	14,146	190,237	(65,026)	(154,322)	(219,348)
Share option scheme														
– value of services	30(a)	–	–	–	16,718	–	–	–	–	–	–	16,718	–	16,718
– exercise of share options	29(b)	128	–	2,253	(858)	–	–	–	–	–	–	1,523	–	1,523
– transfer of share option reserve upon the forfeiture or expiry of share options		–	–	–	(84)	–	–	–	–	–	84	–	–	–
Share incentive scheme														
– value of services	35	–	–	–	28,173	–	–	–	–	–	–	28,173	–	28,173
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	(18,358)	(18,358)
Interim 2022 dividends		–	–	–	–	–	–	–	–	–	(27,799)	(27,799)	–	(27,799)
Transfer to/from retained profits		–	–	–	–	–	(3,015)	3,214	–	–	(199)	–	–	–
At 31 December 2022		278,020	(22,818)	1,486,391*	145,447*	45,480*	65,381*	214,285*	(63,865)*	41,131*	1,538,853*	3,728,305	236,421	3,964,726

* These reserve accounts comprise the consolidated reserves of HK$3,473,103,000 (2021: HK$3,519,642,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		297,054	(656,457)
Adjustments for:			
Interest income	5	(41,115)	(28,685)
Finance costs	7	60,198	43,761
Share of profit of a joint venture	17	(5,818)	(6,968)
Depreciation of property, plant and equipment	6	175,934	213,701
Depreciation of right-of-use assets	6	53,102	45,472
Amortization of intangible assets	16	206,581	203,343
Equity-settled share option expense	6	16,718	24,578
Loss/(gain) on disposal of items of property, plant and equipment		6,892	(7,117)
Awarded share expense	6	28,173	27,667
Loss on fair value change of financial assets at fair value through profit or loss	6	3,924	4,154
(Gain)/loss on fair value change of redeemable preferred shares in a subsidiary	6	(43,742)	6,509
Covid-19-related rent concessions from lessors		–	(551)
Impairment of goodwill	6	–	10,304
Gain on equity investments designated at fair value through profit or loss	5	(633)	(27,564)
		757,268	(147,853)
Increase in inventories		(195,514)	(39,406)
(Increase)/decrease in trade receivables		(49,917)	134,894
(Increase)/decrease in notes receivable		(22,907)	41,346
Decrease in prepayments, other receivables and other assets		148,439	237,872
(Decrease)/increase in trade and bills payables		(144,868)	410,854
Decrease in other payables and accruals		(6,749)	(230,349)
Increase in deferred government grant		15,856	–
Increase/(decrease) in provision for product warranties		786	(1,394)
Cash generated from operations		502,394	405,964
Mainland China profits tax refund/(paid)		16,048	(24,457)
Overseas profits tax paid		(18,975)	(6,901)
Net cash flows from operating activities		499,467	374,606
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		41,115	28,685
Dividends received from a joint venture		2,798	–
Capital reduction received from a joint venture		3,363	–
Purchases of items of property, plant and equipment		(146,041)	(234,646)
Additions to intangible assets		(154,725)	(99,634)
Proceeds from disposal of items of property, plant and equipment		9,571	68,961
Proceeds from disposal of intangible assets		24	–
Purchase of financial assets at fair value through profit or loss		(24,486)	(36,090)
Increase in time deposits		–	(502,553)
(Increase)/decrease in restricted bank deposits		(4,315)	31,132
Net cash flows used in investing activities		(272,696)	(744,145)

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		488,490	2,318,402
Repayment of bank loans		(574,304)	(2,260,786)
Principal portion of lease payments		(49,269)	(36,465)
Proceeds from exercise of share options	29	1,523	35,159
Interest and other finance costs paid		(60,198)	(43,761)
Dividend paid		(27,790)	–
Contribution from the non-controlling shareholders		–	38,829
Dividends paid to non-controlling shareholders		(11,466)	–
Issued redeemable preferred shares in a subsidiary		–	216,432
Net cash flows (used in)/from financing activities		(233,014)	267,810
NET DECREASE IN CASH AND CASH EQUIVALENTS		(6,243)	(101,729)
Cash and cash equivalents at beginning of year		1,652,228	1,716,786
Effect of foreign exchange rate changes, net		(114,316)	37,171
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,531,669	1,652,228
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	1,321,914	1,490,718
Non-pledged time deposits with original maturity of less than three months when acquired		209,755	161,510
Cash and cash equivalents as stated in the consolidated statement of financial position		1,531,669	1,652,228

1. CORPORATE AND GROUP INFORMATION

Comba Telecom Systems Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 17 May 2002 under the 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 year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment, the provision of related engineering services and the provision of operator telecommunication services and their value added services.

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

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Comba Telecom Systems Investments Limited	British Virgin Islands	US$100	100	–	Investment holding
Praises Holdings Limited	British Virgin Islands	US$100	–	100	Investment holding
Comba Telecom Systems Limited 京信通信系統有限公司	Hong Kong	HK$2	–	100	Investment holding and trading of wireless telecommunications network system equipment
Comba Telecom Systems (Guangzhou) Limited 京信通信系統（廣州）有限公司*	PRC/Mainland China	HK$260,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba Telecom Technology (Guangzhou) Limited 京信通信技術（廣州）有限公司*	PRC/Mainland China	HK$542,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Comba Network Systems Company Limited 京信網絡系統股份有限公司**	PRC/Mainland China	RMB401,676,957	–	79.45	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Tianjin Comba Telecom Systems Limited 天津京信通信系统有限公司	PRC/Mainland China	RMB250,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba RF Technology (Guangzhou) Limited 京信射頻技術(廣州)有限公司*	PRC/Mainland China	RMB60,000,000	–	100	Manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services
Comba Intelligent Technology (Guangzhou) Limited 京信智能科技(廣州)有限公司*	PRC/Mainland China	RMB30,000,000	–	100	Manufacture and sale of intelligent machinery
Cascade Technology Limited	British Virgin Islands	US$1	–	100	Investment holding
WaveLab Holdings Limited	Cayman Islands	US$1,000	–	55	Investment holding
WaveLab, Inc.	Commonwealth of Virginia/ United States of America	US$400,000	–	55	Research and development of digital microwave system equipment
WAVELAB GLOBAL, Incorporated	Commonwealth of Virginia/ United States of America	US$500,000	–	55	Trading of digital microwave system equipment

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
WaveLab Asia Holdings Limited	British Virgin Islands	US$1	–	55	Investment holding
WaveLab Telecom Equipment (Guangzhou) Limited 波達通信設備(廣州)有限公司*	PRC/Mainland China	US$3,400,000	–	55	Manufacture and sale of digital microwave system equipment
WaveLab Limited 波達有限公司	Hong Kong	HK$1	–	55	Dormant
Comba Telecom Systems International Limited	British Virgin Islands	US$1	–	100	Investment holding
Comba Telecom Limited	Hong Kong	HK$2	–	100	Trading of wireless telecommunications network enhancement system equipment and provision of technical support and repairing services
COMBA NETWORK (SINGAPORE) PTE. LTD.	Singapore	SG$800,000	–	79.45	Trading of wireless telecommunications network system equipment
PT COMBA TELECOM NETWORK INDONESIA	Indonesia	Rp.2,500,000,000	–	79.45	Trading of wireless telecommunications network system equipment
COMBA REDES E SISTEMAS INTEGRADOS DO BRASIL LTDA	Brazil	BRL2,000,000	–	79.45	Trading of wireless telecommunications network system equipment
COMBA REDES Y SISTEMAS INTEGRALES SA de CV	Mexico	MXN50,000	–	79.45	Trading of wireless telecommunications network system equipment

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
COMBA NETWORK (M) SDN. BHD.	Malaysia	MYR350,000	–	79.45	Trading of wireless telecommunications network system equipment
Comba Telecom Systems (Singapore) Pte. Ltd.	Singapore	SG$1,000,002	–	100	Provision of marketing services and trading of wireless telecommunications network system equipment and provision of related engineering services
Noblefield International Limited	British Virgin Islands	US$1	–	79.45	Investment holding
Comba Telecom Inc.	State of Delaware/ United States of America	US$1	–	79.45	Trading of wireless telecommunications network system equipment
Comba Indústria e Comércio de Equipamentos de Telecomunicações Ltda.	Brazil	BRL188,695,129	–	100	Production and assembling and trading of wireless telecommunications network system equipment
Comba Telecom India Private Limited	India	INR500,000	–	100	Trading of wireless telecommunications network system equipment
Comba Telecom, S.L.U.	Spain	EUR100,000	–	79.45	Trading of wireless telecommunications network system equipment
Jiafu Investments Limited 迦福投資有限公司	British Virgin Islands	US$100	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiafu Holdings Limited 迦福控股有限公司	Hong Kong	HK$10,000	–	100	Investment holding
ETL Company Limited	Lao People's Democratic Republic	LAK 637,763,000,000	–	51	Provision of operator telecommunication services and their value-added services
Rivera Power Limited	British Virgin Islands	US$1	–	79.45	Investment holding
Comba Telecom Network Systems Limited 京信通信網絡系統有限公司	Hong Kong	HK$1	–	79.45	Trading of wireless telecommunications network system equipment
ScanViS Limited	Hong Kong	HK$1	–	79.45	Provision of hardware and software total solutions and services
Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.1")	PRC/Mainland China	RMB10,900,000	–	0.09	Investment holding
Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.2")	PRC/Mainland China	RMB23,850,000	–	14.89	Investment holding
Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.3")	PRC/Mainland China	RMB19,220,000	–	0.16	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通五號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.5")	PRC/Mainland China	RMB11,900,000	–	4.45	Investment holding
Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通六號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.6")	PRC/Mainland China	RMB12,380,000	–	4.05	Investment holding
Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通七號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.7")	PRC/Mainland China	RMB13,200,000	–	20.08	Investment holding
Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通八號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.8")	PRC/Mainland China	RMB20,650,000	–	18.89	Investment holding
Xin Han Tong No.9 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通九號企業管理（珠海）合夥企業（有限合夥）*** ("Xin Han Tong No.9")	PRC/Mainland China	RMB4,750,000	–	0.63	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Company name	Place of incorporation/ registration and operations	Particulars of issued/ paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xin Han Tong No.10 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通十號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.10")	PRC/Mainland China	RMB5,330,000	–	3.37	Investment holding
Xin Han Tong No.11 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通十一號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.11")	PRC/Mainland China	RMB5,280,000	–	5.30	Investment holding
Xin Han Tong No.12 Enterprise Management (Zhuhai) Partnership (Limited Partnership) 鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)*** ("Xin Han Tong No.12")	PRC/Mainland China	RMB4,640,000	–	2.80	Investment holding

Notes:

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

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

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment, redeemable preferred shares in a subsidiary, forward currency contracts and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

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

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

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

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

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

Amendments to 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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to 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. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of HK$19,123,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of HK$19,400,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at 1 January 2022.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

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

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

FAIR VALUE MEASUREMENT

The Group measures its redeemable preferred shares in a subsidiary, forward currency contracts and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

Buildings are stated at valuation less accumulated depreciation and any impairment losses except for staff quarters. Staff quarters are stated at cost less accumulated depreciation and any impairment losses.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

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

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

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

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

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

Computer software and technology

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

Golf club membership

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

Operating license

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS (OTHER THAN GOODWILL) (continued)

Research and development expenses

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

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

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

LEASES

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

Group as a lessee

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

(a) Right-of-use assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

(b) Lease liabilities

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessor

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

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

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Initial recognition and measurement (continued)

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

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

General approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

General approach (continued)

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

The Group considers a financial asset in default when contractual payments are 90 days past due, except for certain customers which are granted with a longer credit term. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its redeemable preferred shares in a subsidiary as financial liabilities at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

Financial guarantee contracts

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

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

TREASURY SHARES

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

INVENTORIES

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

INCOME TAX

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT GRANTS

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

REVENUE RECOGNITION

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods and related installation

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

(b) Operator telecommunication services

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

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

(c) Technical support and maintenance services

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

Revenue from other sources

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

Other income

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRACT LIABILITIES

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

SHARE-BASED PAYMENTS

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

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

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

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

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

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

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

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

OTHER EMPLOYEE BENEFITS

Pension schemes

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

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

DIVIDENDS

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

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

FOREIGN CURRENCIES

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Revenue recognition

Performance obligation at a point in time

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Recognition of a deferred tax liability for withholding taxes

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings of 2008 or thereafter, shall be subject to withholding taxes at an applicable rate of 5% or 10%. The directors had assessed whether it is probable for the Group's PRC subsidiaries to distribute dividends out of their profits earned after 1 January 2008. For details, refer to note 15 to the financial statements.

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

The Group considers that it controls Xin Han Tong No.1, Xin Han Tong No.2, Xin Han Tong No.3, Xin Han Tong No.5, Xin Han Tong No.6, Xin Han Tong No.7, Xin Han Tong No.8, Xin Han Tong No.9, Xin Han Tong No.10, Xin Han Tong No.11 and Xin Han Tong No.12 Partnership even though it owns less than 50% of the voting rights. This is because the Group is the only general partner which can control the investment management or other activities of these partnerships. For details, please refer to note 35 to the financial statements.

ESTIMATION UNCERTAINTY

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was HK$242,773,000 (2021: HK$242,773,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Leases – Estimating the incremental borrowing rate

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

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses at 31 December 2022 was HK$44,193,000 (2021: HK$195,727,000). Further details are contained in note 15 to the financial statements.

Provision against obsolete and slow-moving inventories

The Group reviews the condition of its inventories at the end of each reporting period and makes provisions against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use based on sales forecasts. Such sales forecasts are prepared based on agreements or orders on hand and estimated sales in the foreseeable future based on historical experiences with its customers and current market conditions of telecommunications industry. Management estimates the net realizable value for those obsolete and slow-moving inventories based primarily on the latest invoice prices and current market conditions. The estimation is reassessed at the end of each reporting period. The provision against obsolete and slow-moving inventories requires the use of judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such difference will impact on the carrying value of inventories and the write-down of inventories recognized in the periods in which such estimates have been changed. Further details are contained in note 6 and 20 to the financial statements.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The fair value of the unlisted equity investments at 31 December 2022 was HK$166,185,000 (2021: HK$153,347,000). Further details are included in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Development costs

Development costs are capitalized in accordance with the accounting policy for research and development expenses in note 2.4 to the financial statements. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. At 31 December 2022, the best estimate of the carrying amount of capitalized development costs was HK$226,469,000 (2021: HK$295,465,000). For details, please refer to note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) Wireless telecommunications network system equipment and services

(b) Operator telecommunication services

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

Year ended 31 December 2022	Wireless telecommunications network system equipment and services HK$'000	Operator telecommunication services HK$'000	Total HK$'000
Revenue	6,204,028	160,649	6,364,677
Profit/(loss) before tax	446,398	(149,344)	297,054
Segment assets	9,897,386	1,209,873	11,107,259
Elimination			(531,397)
Total assets			10,575,862
Segment liabilities	6,395,152	747,381	7,142,533
Elimination			(531,397)
Total liabilities			6,611,136

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Wireless telecommunications network system equipment and services HK$'000	Operator telecommunication services HK$'000	Total HK$'000
Revenue	5,658,244	211,422	5,869,666
Loss before tax	(460,555)	(195,902)	(656,457)
Segment assets	10,762,215	1,546,954	12,309,169
Elimination			(796,590)
Total assets			11,512,579
Segment liabilities	7,138,576	986,776	8,125,352
Elimination			(796,590)
Total liabilities			7,328,762

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2022 HK$'000	2021 HK$'000
Mainland China	4,435,654	4,061,715
Other countries/areas in Asia Pacific	803,207	892,888
Americas	488,484	593,214
European Union	526,713	263,916
Middle East	56,904	28,130
Other countries	53,715	29,803
	6,364,677	5,869,666

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

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION (continued)

(b) Non-current assets

	2022 HK$'000	2021 HK$'000
Mainland China	1,806,171	1,758,979
Lao People's Democratic Republic	1,092,152	1,490,117
Other countries/regions	60,444	45,531
	2,958,767	3,294,627

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue of approximately HK$1,525,814,000 (2021: HK$1,520,754,000), HK$1,011,757,000 (2021: HK$493,095,000) and HK$406,004,000 (2021: HK$577,141,000) was derived from 3 major customers, which accounted for 24.0% (2021: 25.9%), 15.9% (2021: 8.4%) and 6.4% (2021: 9.8%) of the total revenue of the Group, respectively.

5. REVENUE, OTHER INCOME AND GAINS

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

An analysis of revenue is as follows:

	2022 HK$'000	2021 HK$'000
Revenue		
Manufacture and sale of wireless telecommunications network system equipment and provision of related installation services	6,204,028	5,658,244
Provision of operator telecommunication services	160,649	211,422
	6,364,677	5,869,666

5. REVENUE, OTHER INCOME AND GAINS (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS

	2022 HK$'000	2021 HK$'000
Types of customers		
PRC state-owned telecommunication operator groups	3,348,528	2,590,990
Other customers	3,016,149	3,278,676
Total revenue from contracts with customers	6,364,677	5,869,666

	2022 HK$'000	2021 HK$'000
Timing of revenue recognition		
Goods transferred at a point in time	6,204,028	5,658,244
Services transferred over time	160,649	211,422
Total revenue from contracts with customers	6,364,677	5,869,666

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022 HK$'000	2021 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period	71,657	75,472

5. REVENUE, OTHER INCOME AND GAINS (continued)

REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

An analysis of other income and gains is as follows:

	2022 HK$'000	2021 HK$'000
Other income and gains		
Bank interest income	41,115	28,685
Government subsidies#	68,972	72,270
Exchange gain, net	37,808	–
Fair value gains on redeemable preferred shares in a subsidiary	43,742	–
VAT refunds	11,244	6,377
Written-off of trade payables	12,706	–
Gain on disposal of items of property, plant and equipment	–	7,117
Gross rental income	9,984	14,004
Penalty income	2,710	3,563
Scrapped and recycled item sales	1,344	1,785
Gain on equity investments designated at fair value through profit or loss	633	27,564
Technical services income	–	25,563
Others	6,262	6,392
	236,520	193,320

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

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2022 HK$'000	2021 HK$'000
Cost of inventories sold and services provided		4,428,359	4,195,798
Depreciation of property, plant and equipment##	12	175,934	213,701
Depreciation of right-of-use assets	13	53,102	45,472
Amortization of computer software and technology and operating license##	16	39,057	30,946
Research and development expenses:			
Deferred expenditure amortized	16	167,524	172,397
Current year expenditure		348,274	436,543
		515,798	608,940
Lease payments not included in the measurement of lease liabilities	13	2,669	12,778
Auditor's remuneration		5,229	3,571
Employee benefit expense (including directors' remuneration, note 8)^:			
Salaries and wages		946,649	1,055,182
Staff welfare expenses		37,152	44,373
Equity-settled share option expense	30(a)	16,718	24,578
Awarded share expenses	35	28,173	27,667
Pension scheme contributions (defined contribution schemes)*		80,360	70,013
		1,109,052	1,221,813
Net gain on equity investments designated at fair value through profit or loss		(633)	(27,564)
Loss on fair value change of financial assets at fair value through profit or loss###		3,924	4,154
Exchange (gain)/loss, net#		(37,808)	20,860
Write-down of inventories to net realizable value		38,538	231,617
Impairment of trade receivables and notes receivable###	21,22	42,548	257,317
Provision for product warranties	27	18,241	20,358
Impairment/(reversal) of financial assets included in prepayments, other receivables and other assets###		17,776	(4,219)
Loss/(gain) on disposal of items of property, plant and equipment		6,892	(7,117)
(Gain)/loss on fair value change of redeemable preferred shares in a subsidiary###		(43,742)	6,509
Impairment of goodwill###	14	–	10,304

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

* At 31 December 2022, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2021: Nil).

^ Staff costs capitalized into deferred development costs amounting to HK$95,067,000 (2021: HK$68,343,000) have not been included in the employee benefit expense.

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

\## The depreciation of certain property, plant and equipment and amortization of operating license amounting to HK$86,870,000 (2021: HK$127,803,000) and HK$23,322,000 (2021: HK$23,322,000) are included in "Other expenses" in the consolidated statement of profit or loss.

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

7. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank loans	57,311	40,395
Interest on lease liabilities	2,884	3,264
Finance costs on factored trade receivables	3	102
	60,198	43,761

8. DIRECTORS' REMUNERATION AND 5 HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK$'000	2021 HK$'000
Fees	880	880
Other emoluments:		
Salaries, allowances and benefits in kind	15,276	15,336
Performance related bonuses	8,775	5,692
Equity-settled share option expense	4,273	7,249
Share based payment expense	3,349	3,331
Pension scheme contributions	245	215
	31,918	31,823
	32,798	32,703

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

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

2022	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Share based payment expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Fok Tung Ling	–	2,109	–	–	–	–	2,109
Mr. Zhang Yue Jun	–	943	–	–	–	18	961
Mr. Xu Huijun	–	3,447	3,177	1,613	1,005	69	9,311
Mr. Chang Fei Fu	–	3,469	1,396	756	482	18	6,121
Mr. Bu Binlong	–	1,429	1,304	769	482	86	4,070
Ms. Huo Xinru	–	2,488	1,629	761	482	18	5,378
	–	13,885	7,506	3,899	2,451	209	27,950
Non-executive director:							
Mr. Wu Tielong	–	1,391	1,269	334	898	36	3,928
Independent non-executive directors:							
Mr. Lau Siu Ki, Kevin	220	–	–	13	–	–	233
Dr. Lin Jin Tong	220	–	–	15	–	–	235
Ms. Ng Yi Kum	220	–	–	12	–	–	232
Ms. Wong Lok Lam	220	–	–	–	–	–	220
	880	–	–	40	–	–	920
	880	15,276	8,775	4,273	3,349	245	32,798

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

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

2021	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Share based payment expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:							
Mr. Fok Tung Ling	–	2,149	–	–	–	11	2,160
Mr. Zhang Yue Jun	–	943	–	–	–	18	961
Mr. Xu Huijun	–	3,470	1,261	3,090	1,037	59	8,917
Mr. Chang Fei Fu	–	3,436	1,200	1,126	498	18	6,278
Mr. Bu Binlong	–	1,435	961	1,154	498	77	4,125
Ms. Huo Xinru	–	2,488	1,321	1,121	498	18	5,446
	–	13,921	4,743	6,491	2,531	201	27,887
Non-executive director:							
Mr. Wu Tielong	–	1,415	949	672	800	14	3,850
Independent non-executive directors:							
Mr. Lau Siu Ki, Kevin	220	–	–	30	–	–	250
Dr. Lin Jin Tong	220	–	–	32	–	–	252
Ms. Ng Yi Kum	220	–	–	24	–	–	244
Ms. Wong Lok Lam	220	–	–	–	–	–	220
	880	–	–	86	–	–	966
	880	15,336	5,692	7,249	3,331	215	32,703

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

(b) FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 5 directors (2021: 5 directors), details of whose remuneration are set out in note 8(a) above.

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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.

	2022 HK$'000	2021 HK$'000
Current – Charge for the year		
Hong Kong	1,060	–
Mainland China	8,793	9,044
Elsewhere	14,933	10,817
Current – (overprovision)/underprovision in prior years	(18,936)	51
Deferred	147,708	(3,812)
Total tax charge for the year	153,558	16,100

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

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

9. INCOME TAX (continued)

	2022 HK$'000	2022 %	2021 HK$'000	2021 %
Profit/(loss) before tax	297,054		(656,457)	
Tax at the applicable tax rate	33,729	11.35	(46,614)	7.10
Adjustments in respect of current tax of previous years	(18,936)	(6.37)	51	(0.01)
Income not subject to tax	(5,755)	(1.94)	(2,605)	0.40
Expenses not deductible for tax	13,124	4.42	18,140	(2.76)
Additional deductible research and development expenses	(76,834)	(25.87)	(93,114)	14.18
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	15,486	5.21	–	–
Tax losses utilized from previous years	(29,145)	(9.81)	(10,570)	1.61
Adjustments in respect of previously recognized deferred tax assets arising from revision on prior years' tax filings	74,723	25.15	–	–
Deferred tax expense arising from the write-down of a deferred tax asset	99,345	33.44	–	–
Deferred tax credit arising from previously unrecognized tax losses	(30,299)	(10.20)	–	–
Tax losses not recognized	78,120	26.30	150,812	(22.97)
Tax charge at the Group's effective rate	153,558	51.68	16,100	(2.45)

The Group has tax losses arising in Hong Kong and other jurisdictions of HK$443,001,000 (2021: HK$516,021,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognized deferred tax assets at 31 December 2022.

10. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Interim – HK1 cent (2021: Nil) per ordinary share	27,795	–
Proposed final – HK1.1 cent (2021: Nil) per ordinary share	30,582	–
	58,377	–

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

The calculation of the basic earnings (2021: loss) per share amount is based on the profit (2021: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,779,557,000 (2021: 2,764,908,000) in issue during the year.

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

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

	2022 HK$'000	2021 HK$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/loss per share calculations	190,237	(592,567)

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/loss per share calculations	2,779,557,000	2,764,908,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	457,000	–
	2,780,014,000	2,764,908,000

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Staff quarters HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2022							
At 31 December 2021 and 1 January 2022:							
Cost or valuation	765,484	85,708	2,662,339	250,506	41,045	3,938	3,809,020
Accumulated depreciation	(299,271)	(321)	(1,919,588)	(207,956)	(34,201)	–	(2,461,337)
Net carrying amount	466,213	85,387	742,751	42,550	6,844	3,938	1,347,683
At 1 January 2022, net of accumulated depreciation	466,213	85,387	742,751	42,550	6,844	3,938	1,347,683
Additions	20,055	8,801	90,244	19,870	3,005	4,066	146,041
Transfer	3,548	–	–	–	–	(3,548)	–
Disposals	(3,138)	–	(10,815)	(2,141)	(369)	–	(16,463)
Depreciation provided during the year	(33,586)	(3,970)	(123,584)	(12,995)	(1,799)	–	(175,934)
Exchange realignment	(34,671)	(5,443)	(66,143)	(4,585)	(1,816)	(318)	(112,976)
At 31 December 2022, net of accumulated depreciation	418,421	84,775	632,453	42,699	5,865	4,138	1,188,351
At 31 December 2022:							
Cost or valuation	703,281	89,066	2,142,661	214,632	30,092	4,138	3,183,870
Accumulated depreciation	(284,860)	(4,291)	(1,510,208)	(171,933)	(24,227)	–	(1,995,519)
Net carrying amount	418,421	84,775	632,453	42,699	5,865	4,138	1,188,351

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings HK$'000	Staff quarters HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2021							
At 31 December 2020 and 1 January 2021:							
Cost or valuation	733,341	–	2,832,459	275,079	52,482	94,449	3,987,810
Accumulated depreciation	(266,653)	–	(2,082,521)	(234,673)	(46,712)	–	(2,630,559)
Net carrying amount	466,688	–	749,938	40,406	5,770	94,449	1,357,251
At 1 January 2021, net of accumulated depreciation	466,688	–	749,938	40,406	5,770	94,449	1,357,251
Additions	13,374	–	185,639	6,287	6,291	51,319	262,910
Transfer	(9,785)	85,510	66,578	–	–	(142,303)	–
Revaluation surplus	47,924	–	–	–	–	–	47,924
Disposals	(16,583)	–	(41,161)	(2,196)	(1,904)	–	(61,844)
Depreciation provided during the year	(37,638)	(321)	(170,554)	(2,472)	(2,716)	–	(213,701)
Exchange realignment	2,233	198	(47,689)	525	(597)	473	(44,857)
At 31 December 2021, net of accumulated depreciation	466,213	85,387	742,751	42,550	6,844	3,938	1,347,683
At 31 December 2021:							
Cost or valuation	765,484	85,708	2,662,339	250,506	41,045	3,938	3,809,020
Accumulated depreciation	(299,271)	(321)	(1,919,588)	(207,956)	(34,201)	–	(2,461,337)
Net carrying amount	466,213	85,387	742,751	42,550	6,844	3,938	1,347,683

13. LEASES

THE GROUP AS A LESSEE

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

(a) **Right-of-use assets**

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

	Prepaid land lease payments HK$'000	Buildings HK$'000	Telecom towers and other equipment HK$'000	Total HK$'000
As at 1 January 2022	120,297	69,868	26,824	216,989
Additions	–	42,044	8,651	50,695
Depreciation charge	(2,691)	(47,627)	(2,784)	(53,102)
Exchange realignment	(8,511)	(5,230)	(9,441)	(23,182)
As at 31 December 2022	109,095	59,055	23,250	191,400

	Prepaid land lease payments HK$'000	Buildings HK$'000	Telecom towers and other equipment HK$'000	Total HK$'000
As at 1 January 2021	119,770	120,901	43,074	283,745
Additions	–	36,908	–	36,908
Depreciation charge	(2,900)	(39,369)	(3,203)	(45,472)
Revision of a lease term arising from a change	–	(43,563)	(13,047)	(56,610)
Exchange realignment	3,427	(5,009)	–	(1,582)
As at 31 December 2021	120,297	69,868	26,824	216,989

13. LEASES (continued)

THE GROUP AS A LESSEE (continued)

(b) Lease liabilities

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

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	94,379	157,623
New leases	49,471	35,541
Accretion of interest recognized during the year	2,884	3,264
COVID-19-related rent concessions from lessors	–	(551)
Payments	(52,154)	(39,729)
Revision of a lease term arising from a change	–	(57,384)
Exchange realignment	(13,564)	(4,385)
Carrying amount at 31 December	81,016	94,379
Analyzed into:		
Current portion	33,811	34,079
Non-current portion	47,205	60,300

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

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	2,884	3,264
Depreciation charge of right-of-use assets	53,102	45,472
Expense relating to short-term leases or of low-value assets	2,669	12,778
COVID-19-related rent concessions from lessors	–	(551)
Total amount recognized in profit or loss	58,655	60,963

(d) The total cash outflow for leases is disclosed in note 32(b) to the financial statements.

13. LEASES (continued)

THE GROUP AS A LESSOR

The Group leases certain of its properties under operating lease arrangements. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the year was HK$9,984,000 (2021: HK$14,004,000), details of which are included in note 5 to the financial statements.

As at 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK$'000	2021 HK$'000
Within 1 year	7,280	9,757
After 1 year but within 2 years	4,730	7,663
After 2 years but within 3 years	3,226	4,782
After 3 years but within 4 years	2,394	2,102
After 4 years but within 5 years	151	2,091
	17,781	26,395

14. GOODWILL

	HK$'000
At 31 December 2021:	
Cost and net carrying amount	242,773
Cost at 1 January 2022, net of accumulated impairment	242,773
Impairment during the year	–
Cost and net carrying amount at 31 December 2022	242,773
At 31 December 2022:	
Cost	253,077
Accumulated impairment	(10,304)
Net carrying amount	242,773

14. GOODWILL (continued)

IMPAIRMENT TESTING OF GOODWILL

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

- Wireless telecommunications equipment CGU; and
- Provision of operator telecommunication services and their value added services CGU.

The recoverable amount of goodwill is determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets covering at least a 5-year period approved by management. The discount rate applied to the cash flow projections is approximately from 15% to 20% (2021: 15% to 17%), and cash flows beyond the 5-year period were extrapolated using a growth rate of 2.0% to 3.0% (2021: 2.0% to 3.0%), which was represented by expected long term CPI growth rate.

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

15. DEFERRED TAX

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

DEFERRED TAX ASSETS

	Unrealized profit HK$'000	Accruals HK$'000	Products warranty HK$'000	Losses available for offsetting against future taxable profits HK$'000	Deferred government grant HK$'000	Total HK$'000
At 1 January 2021	8,131	13,920	16,846	174,379	–	213,276
Deferred tax (charged)/credited to the statement of profit or loss during the year	(3,627)	(570)	(5,888)	15,459	–	5,374
Exchange realignment	194	441	440	5,889	–	6,964
At 31 December 2021	4,698	13,791	11,398	195,727	–	225,614
Deferred tax (charged)/credited to the statement of profit or loss during the year	(1,714)	(11,364)	(1,950)	(136,535)	2,449	(149,114)
Exchange realignment	(302)	(728)	(816)	(14,999)	(71)	(16,916)
At 31 December 2022	2,682	1,699	8,632	44,193	2,378	59,584

15. DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES

	Revaluation of properties HK$'000	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Fair value adjustments for equity investments designated at fair value HK$'000	Withholding taxes HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Total HK$'000
At 1 January 2021	6,253	130,296	11,952	–	–	148,501
Deferred tax charged/(credited) to the statement of profit or loss during the year	3,263	(7,554)	5,853	–	–	1,562
Deferred tax credited to equity statement during the year	8,347	–	5,653	–	–	14,000
At 31 December 2021	17,863	122,742	23,458	–	–	164,063
Deferred tax charged/(credited) to the statement of profit or loss during the year	(527)	(7,554)	(822)	5,682	1,815	(1,406)
Deferred tax charged/(credited) to other comprehensive income during the year	–	–	4,715	–	–	4,715
Exchange realignment	–	–	–	(165)	(53)	(218)
At 31 December 2022	17,336	115,188	27,351	5,517	1,762	167,154

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2022, the Group recognised the relevant deferred tax liabilities of HK$5,517,000 (2021: Nil) on earnings anticipated to be distributed by a subsidiary in the foreseeable future. No withholding tax has been provided for the earnings of approximately HK$2,215,552,000 (2021: HK$1,966,476,000) as these earnings are expected to be retained by the PRC subsidiaries and not to be distributed to a foreign investor in the foreseeable future based on several factors, including management's estimation of overseas funding requirements, the working capital demand for business operation in Mainland China and the Company's dividend policy.

16. INTANGIBLE ASSETS

	Operating license HK$'000	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2022					
Cost at 1 January 2022, net of accumulated amortization	466,528	43,160	1,114	295,465	806,267
Additions	–	25,937	9,000	119,788	154,725
Disposals	–	(24)	–	–	(24)
Amortization provided during the year	(23,322)	(15,735)	–	(167,524)	(206,581)
Exchange realignment	–	(6,982)	–	(21,260)	(28,242)
At 31 December 2022, net of accumulated amortization	443,206	46,356	10,114	226,469	726,145
At 31 December 2022:					
Cost	569,533	198,241	10,114	1,007,220	1,785,108
Accumulated amortization	(126,327)	(151,885)	–	(780,751)	(1,058,963)
Net carrying amount	443,206	46,356	10,114	226,469	726,145

	Operating license HK$'000	Computer software and technology HK$'000	Golf club membership HK$'000	Deferred development costs HK$'000	Total HK$'000
31 December 2021					
Cost at 1 January 2021, net of accumulated amortization	489,850	30,445	1,114	360,156	881,565
Additions	–	19,107	–	97,442	116,549
Disposals	–	(2)	–	–	(2)
Amortization provided during the year	(23,322)	(7,624)	–	(172,397)	(203,343)
Exchange realignment	–	1,234	–	10,264	11,498
At 31 December 2021, net of accumulated amortization	466,528	43,160	1,114	295,465	806,267
At 31 December 2021:					
Cost	569,533	199,680	1,114	961,082	1,731,409
Accumulated amortization	(103,005)	(156,520)	–	(665,617)	(925,142)
Net carrying amount	466,528	43,160	1,114	295,465	806,267

17. INVESTMENT IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Share of net assets	4,857	16,821
Goodwill on acquisition	1,533	1,533
	6,390	18,354

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

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

The above investment is indirectly held by the Company.

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

	2022 HK$'000	2021 HK$'000
Share of the joint venture's profit and total comprehensive income for the year	5,818	6,968
Carrying amount of the Group's investment in the joint venture	6,390	18,354

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

	2022 HK$'000	2021 HK$'000
Equity investments designated at fair value through other comprehensive income:		
Unlisted equity investments, at fair value		
極芯通訊技術南京有限公司	64,791	53,241
深圳市匯芯通信技術有限公司	11,523	9,572
	76,314	62,813
Equity investments designated at fair value through profit or loss:		
Unlisted equity investments, at fair value		
北京奕斯偉計算技術有限公司	49,026	55,792
佛山臻智微芯科技有限公司	29,306	30,644
通號粵港澳(廣州)交通科技有限公司	5,879	4,098
廣東省洛倫茲技術股份有限公司	5,660	–
	89,871	90,534
Financial assets at fair value through profit or loss:		
Forward currency contracts	17,500	3,102

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

The equity investments of 北京奕斯偉計算技術有限公司, 佛山臻智微芯科技有限公司, 通號粵港澳(廣州)交通科技有限公司, and 廣東省洛倫茲技術股份有限公司 were classified as equity investments designated at fair value through profit or loss as they were held for trading.

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

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 HK$'000	2021 HK$'000
Prepayments	211,372	324,722
Deposits	160,723	196,282
Other receivables	109,194	139,432
	481,289	660,436
Impairment allowance	(50,717)	(33,442)
	430,572	626,994

Deposits and other receivables under current assets mainly represent rental deposits and deposits with suppliers. As at 31 December 2022, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2022 was 0.10% to 10.00% and 100% for stage 1 and stage 3 respectively (2021: 0.10% to 10.00% and 100% for stage 1 and stage 3).

20. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials	346,342	395,762
Project materials	26,659	54,534
Work in progress	71,661	58,570
Finished goods	483,697	493,566
Inventories on site	519,552	353,903
	1,447,911	1,356,335

21. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	4,551,699	4,852,632
Impairment	(689,067)	(723,496)
	3,862,632	4,129,136

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. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize the credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

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

	2022 HK$'000	2021 HK$'000
Within 3 months	1,543,641	2,137,743
4 to 6 months	689,000	533,755
7 to 12 months	892,322	609,352
More than 1 year	1,426,736	1,571,782
	4,551,699	4,852,632
Provision for impairment	(689,067)	(723,496)
	3,862,632	4,129,136

21. TRADE RECEIVABLES (continued)

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

	2022 HK$'000	2021 HK$'000
At beginning of year	723,496	548,872
Impairment losses	41,734	255,279
Amount written off as uncollectible	(28,633)	(95,721)
Exchange realignment	(47,530)	15,066
At end of year	689,067	723,496

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

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

			Past due		
As at 31 December 2022	Current	Less than 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	1.42%	6.44%	16.62%	68.78%	
Gross carrying amount (HK$'000)	3,136,513	406,547	144,597	864,042	4,551,699
Expected credit losses (HK$'000)	44,611	26,166	24,026	594,264	689,067

			Past due		
As at 31 December 2021	Current	Less than 1 year	1-2 years	Over 2 years	Total
Expected credit loss rate	1.67%	6.75%	16.84%	72.33%	
Gross carrying amount (HK$'000)	3,320,692	349,435	379,761	802,744	4,852,632
Expected credit losses (HK$'000)	55,302	23,583	63,956	580,655	723,496

22. NOTES RECEIVABLE

	2022 HK$'000	2021 HK$'000
Notes receivable	117,952	102,077
Impairment	(5,378)	(4,968)
	112,574	97,109

At 31 December 2022, notes receivable with an aggregate carrying amount of HK$3,926,000 (2021: HK$19,435,000) were endorsed to suppliers on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the notes receivable.

All notes receivable of the Group would mature within 12 months.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

	2022 HK$'000	2021 HK$'000
Cash and bank balances	1,321,914	1,490,718
Restricted bank deposits	128,134	134,095
Time deposits	673,797	664,063
	2,123,845	2,288,876
Less:		
Restricted bank deposits for bills payable	(70,801)	(55,875)
Restricted bank deposits for performance bonds	(57,333)	(78,220)
Time deposits with original maturity of over three months:		
– non-current	(350,861)	(257,405)
– current	(113,181)	(245,148)
Cash and cash equivalents	1,531,669	1,652,228

	2022 HK$'000	2021 HK$'000
Cash and cash equivalents and time deposits		
Denominated in		
– RMB	1,696,568	1,885,422
– USD	260,184	185,229
– HKD	16,241	26,906
– Others	150,852	191,319
	2,123,845	2,288,876

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the cash requirements of the Group and earn interest at respective time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

24. TRADE AND BILLS PAYABLES

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

	2022 HK$'000	2021 HK$'000
Within 3 months	1,552,379	2,429,952
4 to 6 months	958,155	695,099
7 to 12 months	631,437	576,699
More than 1 year	909,732	843,099
	4,051,703	4,544,849

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

25. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Accruals	206,752	237,675
Contract liabilities	110,858	96,402
Lease liabilities	33,811	34,079
Dividend payables	295	286
Other payables	219,790	254,781
	571,506	623,223

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

26. INTEREST-BEARING BANK BORROWINGS

	2022		2021	
	Maturity	HK$'000	Maturity	HK$'000
Current				
Bank loans – guaranteed	2023	751,993	2022	644,739
Non-current				
Bank loans – guaranteed	2024	590,000	2023-2024	800,000
		1,341,993		1,444,739
Analyzed into:				
Bank loans repayable				
Within 1 year or on demand		751,993		644,739
In the 2nd year		590,000		160,000
In the 3rd to 5th years, inclusive		–		640,000
		1,341,993		1,444,739

As at 31 December 2022, loans denominated in Hong Kong dollars and RMB amounted to HK$1,085,002,000 (2021: HK$1,255,975,000) and HK$256,991,000 (2021: HK$188,764,000), respectively.

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

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

As at 31 December 2022 and 2021, certain bank loans carried floating rates at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin per annum. Bank loans as at 31 December 2022 bear interest at rates ranging from 1.45% to 7.09% (2021: from 1.45% to 3.80%) per annum.

27. PROVISION FOR PRODUCT WARRANTIES

	2022 HK$'000	2021 HK$'000
At 1 January	75,290	74,313
Additional provision	18,241	20,358
Amounts utilized during the year	(17,455)	(21,752)
Exchange realignment	(5,792)	2,371
At 31 December	70,284	75,290

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

28. REDEEMABLE PREFERRED SHARES IN A SUBSIDIARY

	2022 HK$'000	2021 HK$'000
Redeemable preferred shares in a subsidiary	274,028	342,771

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

On 17 June 2021, Comba Network issued 19,166,409 shares to two investors, which represented 4.86% of the enlarged equity interest in Comba Network for the consideration of HK$156,296,000.

On 22 July 2021, Comba Network issued 7,371,696 shares to two investors, which represented 1.84% of the enlarged equity interest in Comba Network for the consideration of HK$60,136,000.

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

(a) LIQUIDATION PREFERENCE

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

28. REDEEMABLE PREFERRED SHARES IN A SUBSIDIARY (continued)

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

(b) REDEMPTION RIGHTS

If Comba Network fails to consummate a qualified public offering prior to the date of 31 December 2024, at the option of the holder of the preferred shares in a subsidiary, the Group shall redeem all of the outstanding preferred shares in a subsidiary held by the requesting holder, at the price for preferred share issue price and a return at a pre-determined simple interest rate on all accrued but unpaid dividends, proportionally adjusted for share splits, share dividends, recapitalisations and the like. The redemption rights shall be terminated upon the closing of a qualified public offering.

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

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	342,771	111,908
Additions	–	216,432
Fair value (gains)/losses	(43,742)	6,509
Exchange realignment	(25,001)	7,922
At 31 December	274,028	342,771

The Group applied the discounted cash flow method to determine the underlying equity value of the Comba Network and adopted the option-pricing method and equity allocation model to determine the fair value of the redeemable preferred shares in a subsidiary, which were revalued at the end of the reporting period by independent professionally qualified valuers. Key assumptions are set out below:

	31 December 2022	31 December 2021
Discount rate	15%	17%
Risk-free interest rate	2.352%	2.458%
Discount for lack of marketability	17%	20%
Volatility	42.11%	46.78%

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

29. SHARE CAPITAL

Shares	2022 HK$'000	2021 HK$'000
Authorized:		
5,000,000,000 (2021: 5,000,000,000) ordinary shares of HK$0.10 each	**500,000**	500,000
Issued and fully paid or credited as fully paid:		
2,780,189,168 (2021: 2,778,911,168) ordinary shares of HK$0.10 each	**278,020**	277,892

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

	Notes	Number of shares in issue	Issued capital HK$'000	Treasury shares HK$'000	Share premium account HK$'000	Total HK$'000
As at 1 January 2021		2,750,593,918	275,060	(22,818)	1,437,024	1,689,266
Share option scheme						
– exercise of share options	(a)	28,317,250	2,832	–	47,114	49,946
As at 31 December 2021 and 1 January 2022		2,778,911,168	277,892	(22,818)	1,484,138	1,739,212
Share option scheme						
– exercise of share options	(b)	1,278,000	128	–	2,253	2,381
As at 31 December 2022		2,780,189,168	278,020	(22,818)	1,486,391	1,741,593

As at 31 December 2022, the total number of issued ordinary shares of the Company was 2,780,189,168 (2021: 2,778,911,168) shares which included 16,637,136 (2021: 16,637,136) shares held under a share award scheme (the "Share Award Scheme") adopted by the Company on 25 March 2011 and renewed on 25 March 2021 (note 30(b)).

Notes:

(a) During the year ended 31 December 2021, the subscription rights attaching to 21,648,250 share options, 6,105,500 share options and 563,500 share options were exercised at the adjusted exercise prices of HK$1.255 per share, HK$1.170 per share and HK$1.890 per share respectively, resulting in the issue of 28,317,250 shares of HK$0.10 each for a total cash consideration, before expenses of approximately HK$35,159,000.

(b) During the year ended 31 December 2022, the subscription rights attaching to 1,240,000 share options and 38,000 share options were exercised at the exercise prices of HK$1.170 per share and HK$1.890 per share respectively, resulting in the issue of 1,278,000 shares of HK$0.10 each for a total cash consideration, before expenses of approximately HK$1,523,000.

30. SHARE OPTION SCHEME AND SHARE AWARD SCHEME

(A) SHARE OPTION SCHEME

A share option scheme was adopted by the Company on 3 June 2013 (the "2013 Scheme") which, unless otherwise cancelled or amended in accordance with the terms therein, will remain in force for ten years from that date and is due to expire on 2 June 2023.

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

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

(A) SHARE OPTION SCHEME (continued)

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

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

The exercise price of the share options granted under the 2013 Scheme is determinable 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 Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings of the Company.

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

(A) SHARE OPTION SCHEME (continued)

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

	Number of share options									
Name or category of participant	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2022	Date of grant of share options*	Exercise period of share options	Exercise price of share options HK$ per share	Weighted average closing price of the shares immediately before the dates on which the share options were exercised HK$ per share
Executive directors										
Mr. Fok Tung Ling	–	–	–	–	–	–				
Mr. Zhang Yue Jun	–	–	–	–	–	–				
Mr. Xu Huijun	5,000,000	–	–	–	–	5,000,000	28 Aug 18	28 Aug 19–27 Aug 23	1.300	–
	10,000,000	–	–	–	–	10,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	4,000,000	–	–	–	–	4,000,000	13 Apr 21	13 Apr 22–12 Apr 26	2.030	–
	19,000,000	–	–	–	–	19,000,000				
Mr. Chang Fei Fu	500,000	–	–	–	–	500,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	5,000,000	–	–	–	–	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	2,000,000	–	–	–	–	2,000,000	13 Apr 21	13 Apr 22–12 Apr 26	2.030	–
	7,500,000	–	–	–	–	7,500,000				
Mr. Bu Binlong	1,800,000	–	–	–	–	1,800,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	5,000,000	–	–	–	–	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	2,000,000	–	–	–	–	2,000,000	13 Apr 21	13 Apr 22–12 Apr 26	2.030	–
	8,800,000	–	–	–	–	8,800,000				
Ms. Huo Xinru	1,050,000	–	–	–	–	1,050,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	5,000,000	–	–	–	–	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	2,000,000	–	–	–	–	2,000,000	13 Apr 21	13 Apr 22–12 Apr 26	2.030	–
	8,050,000	–	–	–	–	8,050,000				
Non-executive director										
Mr. Wu Tielong	1,800,000	–	–	–	–	1,800,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	5,000,000	–	–	–	–	5,000,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	6,800,000	–	–	–	–	6,800,000				

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

(A) SHARE OPTION SCHEME (continued)

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

	Number of share options									
Name or category of participant	Outstanding as at 1 January 2022	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	Outstanding as at 31 December 2022	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
Independent non-executive directors										
Mr. Lau Siu Ki, Kevin	50,000	–	–	–	–	50,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	250,000	–	–	–	–	250,000				
Dr. Lin Jin Tong	200,000	–	–	–	–	200,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	–
	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
	400,000	–	–	–	–	400,000				
Ms. Ng Yi Kum	200,000	–	–	–	–	200,000	8 Apr 19	8 Apr 20–7 Apr 24	1.890	–
Ms. Wong Lok Lam	-	–	–	–	–	-				
Other employees in aggregate	21,906,500	–	(1,240,000)	–	(224,500)	20,442,000	10 Apr 18	10 Apr 19–9 Apr 23	1.170	1.5528
	41,566,500	–	(38,000)	–	(200,000)	41,328,500	8 Apr 19	8 Apr 20–7 Apr 24	1.890	1.9900
	40,000,000	–	–	–	(1,180,000)	38,820,000	13 Apr 21	13 Apr 22–12 Apr 26	2.030	–
	103,473,000	–	(1,278,000)	–	(1,604,500)	100,590,500				1.5658
	154,473,000	–	(1,278,000)	–	(1,604,500)	151,590,500				

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

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

(A) SHARE OPTION SCHEME (continued)

The expense recognized in the consolidated statement of profit or loss for employee services received during the year is approximately HK$16,718,000 (2021: HK$24,578,000).

At the end of the reporting period, the Company had 151,590,500 share options outstanding under the 2013 Scheme, of which 95,705,500 were vested and 55,885,000 were unvested. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 151,590,500 additional ordinary shares of the Company and additional share capital of HK$15,159,050 and share premium of HK$256,626,000 (before issue expenses).

As at the date of approval of these financial statements, the Company had 141,988,500 share options outstanding under the 2013 Scheme, representing approximately 5.09% of the Company's shares in issue as at that date. Please refer to the section headed "Share Award Scheme" below for the total number of new shares available for issuance under both the 2013 Scheme and the Share Award Scheme under the shared scheme mandate limit of these schemes.

(B) SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Company on 25 March 2011 (the "Adoption Date"). Unless it is early terminated by the board of directors of the Company (the "Board") in accordance with the terms therein, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date. On 25 March 2021, the Board resolved to renew the term of the Share Award Scheme for a term of ten years as from 25 March 2021 to 25 March 2031. The Share Award Scheme is due to expire on 25 March 2031.

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

(B) SHARE AWARD SCHEME (continued)

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

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

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

(B) SHARE AWARD SCHEME (continued)

The Board shall not make any further award of the Awarded Shares which will result in the number of the shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders in any general meeting of the Company). The maximum number of shares which may be awarded to a Selected Person under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date (or the refreshed or amended limit as approved by the shareholders in any general meeting of the Company). The aforesaid limit may be refreshed or amended by approval of the shareholders in any general meeting of the Company. Nevertheless, the total number of the Awarded Shares which may be issued under the Share Award Scheme and the exercise of all options to be granted under other incentive and option schemes of the Company (including the 2013 Scheme) as so refreshed shall not exceed 10% of the shares in issue as at the date of approval of the refreshed limit. Awarded Shares or share options previously granted under the Share Award Scheme or the 2013 Scheme (including those vested, outstanding, cancelled and lapsed) will not be counted for the purpose of calculating the limit as refreshed. The Company will not issue any Awarded Shares under the Share Award Scheme which would result in the total number of the Awarded Shares together with shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the 2013 Scheme or any other incentive or share option schemes of the Company representing in aggregate over 30% of the shares in issue as at the date of such grant.

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

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

During the year ended 31 December 2022, no Awarded Shares held for Selected Persons were outstanding and no Awarded Shares were granted, vested, unvested, cancelled or lapsed in accordance with the terms of the Share Award Scheme.

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

(B) SHARE AWARD SCHEME (continued)

Movements in the number of treasury shares held for the Share Award Scheme for the years ended 31 December 2021 and 2022 are as follows:

	Treasury shares held for the Share Award Scheme
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**16,637,136**

Taking into account share options already granted under the 2013 Scheme (as refreshed in 2018) and Awarded Shares granted under the Share Award Scheme involving issuance of new shares, and the common scheme mandate limit shared by both the 2013 Scheme and the Share Award Scheme, i.e. not exceeding 10% of the number of issued Shares 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 Scheme and/or Awarded Shares involving issuance of new shares that may be granted under the Share Award Scheme as at 1 January 2022 and 31 December 2022 was 111,516,486 and 111,516,486 respectively.

As at the date of approval of these financial statements, the total number of shares available for issue under the 2013 Scheme and Share Award Scheme was 261,088,986 Shares, representing approximately 9.36% 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 (which consist of the 2013 Scheme and the Share Award Scheme) during the financial year divided by the weighted average number of Shares in issue for the year is 4.01%.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 88 and 89 of the annual report.

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

32. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

2022	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2022	1,444,739	94,379
Changes from financing cash flows	(85,814)	(52,154)
New leases	–	49,471
Foreign exchange movement	(16,932)	(13,564)
Interest expense	–	2,884
At 31 December 2022	1,341,993	81,016

2021	Interest-bearing bank borrowings HK$'000	Lease liabilities HK$'000
At 1 January 2021	1,382,473	157,623
Changes from financing cash flows	57,616	(39,729)
New leases	–	35,541
Foreign exchange movement	4,650	(4,385)
Interest expense	–	3,264
COVID-19-related rent concessions from lessors	–	(551)
Reassessment and revision of lease terms	–	(57,384)
At 31 December 2021	1,444,739	94,379

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

(b) TOTAL CASH OUTFLOW FOR LEASES

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

	2022 HK$'000	2021 HK$'000
Within operating activities	2,669	12,778
Within financing activities	52,154	39,729
	54,823	52,507

33. CONTINGENT LIABILITIES

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

	2022 HK$'000	2021 HK$'000
Guarantees given to banks in respect of performance bonds*	293,460	276,836

* Part of performance bonds are secured by the pledge of certain of the Group's time deposits amounting to HK$57,333,000 (2021: HK$78,220,000).

34. COMMITMENTS

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

	2022 HK$'000	2021 HK$'000
Contracted, but not provided for:		
Plant and machinery	13,139	8,566

35. RELATED PARTY TRANSACTIONS

(a) The Group had no significant transactions with related parties during the year and had no significant outstanding balances with related parties as at the end of the reporting period.

(b) Compensation of key management personnel of the Group:

	2022 HK$'000	2021 HK$'000
Short-term employee benefits	24,931	21,908
Equity-settled share option expense	4,273	7,249
Share based payment expense*	3,349	3,331
Pension scheme contributions	245	215
Total compensation paid to key management personnel	32,798	32,703

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

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

* 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.

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.

35. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel of the Group: (continued)

* Share Incentive Scheme (continued)

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.

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.

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 31 December 2022, 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$28,173,000 in the statement of profit or loss in 2022.

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2022

Financial assets

	Financial assets at amortized cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	17,500	–	17,500
Equity investments at fair value through other comprehensive income	–	–	76,314	76,314
Equity investments at fair value through profit or loss	–	89,871	–	89,871
Trade receivables	3,862,632	–	–	3,862,632
Notes receivable	112,574	–	–	112,574
Financial assets included in prepayments, other receivables and other assets	269,917	–	–	269,917
Restricted bank deposits	128,134	–	–	128,134
Time deposit	464,042	–	–	464,042
Cash and cash equivalents	1,531,669	–	–	1,531,669
	6,368,968	107,371	76,314	6,552,653

Financial liabilities

	Financial liabilities at amortized cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	274,028	274,028
Trade and bills payables	4,051,703	–	4,051,703
Financial liabilities included in other payables and accruals	311,187	–	311,187
Interest-bearing bank borrowings	1,341,993	–	1,341,993
Lease liabilities	47,205		47,205
	5,752,088	274,028	6,026,116

36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

2021

Financial assets

	Financial assets at amortized cost HK$'000	Financial assets at fair value through profit or loss HK$'000	Financial assets at fair value through other comprehensive income HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	3,102	–	3,102
Equity investments at fair value through other comprehensive income	–	–	62,813	62,813
Equity investments at fair value through profit or loss	–	90,534	–	90,534
Trade receivables	4,129,136	–	–	4,129,136
Notes receivable	97,109	–	–	97,109
Financial assets included in prepayments, other receivables and other assets	335,714	–	–	335,714
Restricted bank deposits	134,095	–	–	134,095
Time deposit	502,553	–	–	502,553
Cash and cash equivalents	1,652,228	–	–	1,652,228
	6,850,835	93,636	62,813	7,007,284

Financial liabilities

	Financial liabilities at amortized cost HK$'000	Financial liabilities at fair value through profit or loss HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	342,771	342,771
Trade and bills payables	4,544,849	–	4,544,849
Financial liabilities included in other payables and accruals	342,568	–	342,568
Interest-bearing bank borrowings	1,444,739	–	1,444,739
Lease liabilities	60,300	–	60,300
	6,392,456	342,771	6,735,227

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

The fair values of the non-current portion of restricted bank deposits and interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair values as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2022 were assessed to be insignificant.

As at 31 December 2021 and 2022, the carrying amount of the Group's financial assets and financial liabilities approximate to their fair values.

The fair values of unlisted equity investments designated at fair value through other comprehensive income/profit and loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income/profit and loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	1.36 to 11.59 (2021: 0.78 to 25.46)	10% (2021:10%) increase/decrease in multiple would result in increase/decrease in fair value by HK$9,467,000 (2021: HK$906,000)
		Discount for lack of marketability	30% (2021: 30%)	10% (2021:10%) increase/decrease in discount would result in decrease/increase in fair value by HK$3,700,000 (2021: HK$388,000)
Redeemable preferred shares in a subsidiary	Equity valuation allocation model	Fair value of equity value	NA	5% (2021: 5%) increase/decrease in fair value per share would result in increase/decrease in fair value by HK$13,701,000 (2021: HK$17,139,000)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(continued)

FAIR VALUE HIERARCHY

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

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	17,500	–	17,500
Equity investments designated at fair value through other comprehensive income	–	64,791	11,523	76,314
Equity investments designated at fair value through profit or loss	–	5,660	84,211	89,871
	–	87,951	95,734	183,685

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

FAIR VALUE HIERARCHY (continued)

Assets measured at fair value: (continued)

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Financial assets at fair value through profit or loss	–	3,102	–	3,102
Equity investments designated at fair value through other comprehensive income	–	53,241	9,572	62,813
Equity investments designated at fair value through profit or loss	–	86,436	4,098	90,534
	–	142,779	13,670	156,449

As at 31 December 2022, the Group transferred its financial assets of HK$86,436,000 at fair value through profit or loss from Level 2 to Level 3 fair value hierarchy because there was no share transaction during 2022. As at 31 December 2022, the fair values of the unlisted equity investments at Level 2 fair value hierarchy were determined based on transaction price. The fair values of the unlisted equity investments at Level 3 fair value hierarchy were based on a market-based valuation technique. The fair values of financial assets at fair value through profit or loss were measured using valuation models and various market observable inputs, including tenor, volatility and spot rate.

As at 31 December 2021, the Group transferred its financial assets of HK$27,733,000 at fair value through profit or loss from Level 3 to Level 2 fair value hierarchy and transferred its financial assets of HK$9,593,000 at fair value through other comprehensive income from Level 2 to Level 3 fair value hierarchy. As at 31 December 2021,the fair values of the unlisted equity investments at Level 2 fair value hierarchy were determined based on transaction price. The fair values of the unlisted equity investments at Level 3 fair value hierarchy were based on a market-based valuation technique. The fair values of financial assets at fair value through profit or loss were measured using valuation models and various market observable inputs, including tenor, volatility and spot rate.

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

FAIR VALUE HIERARCHY (continued)

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

	2022 HK$'000	2021 HK$'000
At 1 January	13,670	30,851
Total gains/(losses) recognised in other comprehensive income	2,765	(324)
Transfer from/(to) Level 2	86,436	(18,140)
Total gains recognised in the statement of profit or loss included in other income	634	863
Exchange realignment	(7,771)	420
At 31 December	95,734	13,670

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	–	274,028	274,028

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	–	342,771	342,771

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

INTEREST RATE RISK

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
Hong Kong dollars	50	(7,458)	–
RMB	50	(417)	–
Hong Kong dollars	(50)	7,458	–
RMB	(50)	417	–

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2021			
Hong Kong dollars	50	(13,284)	–
RMB	50	(428)	–
Hong Kong dollars	(50)	13,284	–
RMB	(50)	428	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 13.5% (2021: 13.1%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sales, whilst approximately 92.3% (2021: 93.1%) of costs were denominated in the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of currencies other than the functional currencies of the relevant operating units, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in US$/AED/ RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2022			
If Brazil dollar weakens against US$	5	(9,726)	–
If Brazil dollar strengthens against US$	(5)	9,726	–
If RMB weakens against US$	5	27,586	–
If RMB strengthens against US$	(5)	(27,586)	–
If Hong Kong dollar weakens against AED	5	(19,123)	–
If Hong Kong dollar strengthens against AED	(5)	19,123	–
If Hong Kong dollar weakens against RMB	5	(30,338)	–
If Hong Kong dollar strengthens against RMB	(5)	30,338	–

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK (continued)

	Increase/ (decrease) in US$/AED/ RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity* HK$'000
2021			
If Brazil dollar weakens against US$	5	(11,399)	–
If Brazil dollar strengthens against US$	(5)	11,399	–
If RMB weakens against US$	5	9,562	–
If RMB strengthens against US$	(5)	(9,562)	–
If Hong Kong dollar weakens against AED	5	(18,260)	–
If Hong Kong dollar strengthens against AED	(5)	18,260	–
If Hong Kong dollar weakens against RMB	5	(2,121)	–
If Hong Kong dollar strengthens against RMB	(5)	2,121	–

* Excluding retained profits

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2022. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables*	–	–	–	4,551,699	4,551,699
Notes receivable	–	–	–	117,952	117,952
Financial assets included in prepayments, other receivables and other assets	240,490	–	29,427	–	269,917
Restricted bank deposits	128,134	–	–	–	128,134
Time deposit	464,042	–	–	–	464,042
Cash and cash equivalents	1,531,669	–	–	–	1,531,669
	2,364,335	–	29,427	4,669,651	7,063,413

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables*	–	–	–	4,852,632	4,852,632
Notes receivable	–	–	–	102,077	102,077
Financial assets included in prepayments, other receivables and other assets	303,845	–	31,869	–	335,714
Restricted bank deposits	134,095	–	–	–	134,095
Time deposit	502,553	–	–	–	502,553
Cash and cash equivalents	1,652,228	–	–	–	1,652,228
	2,592,721	–	31,869	4,954,709	7,579,299

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

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

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group has certain concentrations of credit risk as 27% (2021: 28%) and 68% (2021: 70%) of the Group's trade receivables were due from the Group's largest customer and the 5 largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables is disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK

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

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

			2022		
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	–	401,565	–	401,565
Interest-bearing bank borrowings	315,757	476,061	607,481	–	1,399,299
Trade and bills payables	–	4,051,703	–	–	4,051,703
Financial liabilities included in other payables and accruals	–	311,187	–	–	311,187
Lease liabilities	–	–	42,184	11,252	53,436
	315,757	4,838,951	1,051,230	11,252	6,217,190

			2021		
	On demand HK$'000	Within 1 year HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Redeemable preferred shares in a subsidiary	–	–	424,752	–	424,752
Interest-bearing bank borrowings	321,399	352,751	829,987	–	1,504,137
Trade and bills payables	–	4,544,849	–	–	4,544,849
Financial liabilities included in other payables and accruals	–	342,568	–	–	342,568
Lease liabilities	–	–	52,961	13,762	66,723
	321,399	5,240,168	1,307,700	13,762	6,883,029

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2022.

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

	2022 HK$'000	2021 HK$'000
Interest-bearing bank borrowings	1,341,993	1,444,739
Total assets	10,575,862	11,512,579
Gearing ratio	12.7%	12.5%

39. EVENTS AFTER THE REPORTING PERIOD

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

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSET		
Investments in subsidiaries	847,652	828,219
CURRENT ASSETS		
Other receivables	356	302
Due from subsidiaries	1,454,383	1,455,404
Cash and cash equivalents	3,824	3,491
Total current assets	1,458,563	1,459,197
CURRENT LIABILITIES		
Other payables and accruals	103,751	93,441
Total current liabilities	103,751	93,441
NET CURRENT ASSETS	1,354,812	1,365,756
TOTAL ASSETS LESS CURRENT LIABILITIES	2,202,464	2,193,975
NON-CURRENT LIABILITY		
Financial guarantee contracts	45,381	42,473
Net assets	2,157,083	2,151,502
EQUITY		
Issued capital	278,020	277,892
Treasury shares	(22,818)	(22,818)
Reserves (note)	1,901,881	1,896,428
Total equity	2,157,083	2,151,502

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

Note:

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

	Share premium account HK$'000	Contributed surplus* HK$'000	Share-based compensation reserve** HK$'000	Capital reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	1,437,024	348,918	57,138	415	–	1,843,495
Loss and total comprehensive loss for the year	–	–	–	–	(3,972)	(3,972)
Share option scheme						
– value of services	–	–	24,578	–	–	24,578
– exercise of share options	47,114	–	(14,787)	–	–	32,327
– transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(2,717)	–	2,717	–
At 31 December 2021 and 1 January 2022	1,484,138	348,918	64,212	415	(1,255)	1,896,428
Profit and total comprehensive profit for the year	–	–	–	–	15,139	15,139
Share option scheme						
– value of services	–	–	16,718	–	–	16,718
– exercise of share options	2,253	–	(858)	–	–	1,395
– transfer of share option reserve upon the forfeiture or expiry of share options	–	–	(84)	–	84	–
Interim 2022 dividend	–	(13,831)	–	–	(13,968)	(27,799)
At 31 December 2022	1,486,391	335,087	79,988	415	–	1,901,881

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

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

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Board on 23 March 2023.

5 YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the published audited financial statements is set out below:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	6,364,677	5,869,666	5,057,240	5,779,916	5,663,310
Cost of sales	(4,491,146)	(4,446,835)	(3,612,059)	(4,003,732)	(4,204,709)
Gross profit	1,873,531	1,422,831	1,445,181	1,776,184	1,458,601
Other income and gains	236,520	193,320	183,442	176,065	170,091
Research and development expenses	(515,798)	(608,940)	(471,055)	(346,785)	(353,090)
Selling and distribution expenses	(565,904)	(597,546)	(542,321)	(559,599)	(587,040)
Administrative expenses	(493,411)	(601,073)	(571,519)	(573,966)	(621,408)
Other expenses	(183,504)	(428,256)	(243,540)	(237,211)	(144,431)
Finance costs	(60,198)	(43,761)	(69,352)	(104,013)	(73,657)
Share of profit of:					
A joint venture	5,818	6,968	1,052	–	–
(LOSS)/PROFIT BEFORE TAX	297,054	(656,457)	(268,112)	130,675	(150,934)
Income tax expense	(153,558)	(16,100)	(23,011)	(61,853)	(48,402)
(LOSS)/PROFIT FOR THE YEAR	143,496	(672,557)	(291,123)	68,822	(199,336)
Attributable to:					
Owners of the parent	190,237	(592,567)	(194,104)	151,749	(171,384)
Non-controlling interests	(46,741)	(79,990)	(97,019)	(82,927)	(27,952)
	143,496	(672,557)	(291,123)	68,822	(199,336)
TOTAL ASSETS	10,575,862	11,512,579	11,325,161	11,177,089	11,302,641
TOTAL LIABILITIES	(6,611,136)	(7,328,762)	(6,775,127)	(7,280,072)	(7,497,027)
NON-CONTROLLING INTERESTS	(236,421)	(409,101)	(443,121)	(435,808)	(527,461)
	3,728,305	3,774,716	4,106,913	3,461,209	3,278,153

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