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Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Hong Kong Stock Code: 2342)

(Singapore Stock Code: STC)

UPDATE ON THE PROGRESS OF THE PROPOSED SPIN-OFF AND POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL IN RELATION TO THE PROPOSED SPIN-OFF AND SEPARATE LISTING OF THE SPIN-OFF CO

THE PROPOSED SPIN-OFF

References are made to the announcements of the Company dated 7 April 2021 and 3 September 2021 (collectively, the “**Announcements**”) in relation to the Proposed Spin-off and the Proposed A-Share Listing of Spin-off Co on the PRC Stock Exchange.

As at the date of this announcement, the Group indirectly held approximately 78.5% equity interest in the Spin-off Co and the Spin-off Business mainly includes research and development, design, sale of network system products and solutions and service ancillary to products sold such as commissioning and after-sale services etc. The Company submitted an application in relation to the Proposed Spin-off pursuant to PN15 to the Hong Kong Stock Exchange for approval and the Hong Kong Stock Exchange confirmed on 3 September 2021 that the Company might proceed with the Proposed Spin-off.

Due to the impact of the outbreak of COVID-19 on relevant processes, the Company postponed the Proposed Spin-off and the submission of the listing application for the Proposed A-Share Listing which was initially scheduled in the second half of 2021.

As the COVID-19 pandemic situation has improved recently, the Board is pleased to announce that the Company has decided to resume and proceed with the Proposed Spin-off under PN15 of the Hong Kong Listing Rules and the listing application for the Proposed A-Share Listing, which is planned to be submitted in September 2023.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Group indirectly held approximately 78.5% equity interest in the Spin-off Co. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed Spin-off will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing, following which the ownership of the Group in the Spin-off Co will be diluted to not less than 58.9%. Accordingly, the Proposed Spin-off and the Proposed A-Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the Spin-off Co under Rule 14.29 of the Hong Kong Listing Rules.

Based on the upper end of the currently expected offer size of approximately RMB1.8 billion under the Proposed A-Share Listing, the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules, in respect of the Proposed Spin-off is expected to exceed 25% but will be less than 75%. Accordingly, the Proposed Spin-off, if proceeded, will constitute a major disposal and not a very substantial disposal of the Company under Chapter 14 of the Hong Kong Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under PN15 and Chapter 14 of the Hong Kong Listing Rules.

The Company will make further announcement(s) in relation to the Proposed Spin-off and Proposed A-Share Listing as and when appropriate in accordance with the applicable requirements of the Hong Kong Listing Rules.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Proposed Spin-off.

The Independent Board Committee comprising Mr. Lau Siu Ki, Kevin, Ms. Ng Yi Kum and Ms. Wong Lok Lam, being all the independent non-executive Directors, has been established to advise the Shareholders in respect of the Proposed Spin-off. GM Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

A circular containing, among others things, (i) information of the Proposed Spin-off and the Waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from GM Capital to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Hong Kong Listing Rules, is expected to be despatched to the Shareholders on 25 August 2023.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and the Proposed A-Share Listing are subject to, among other things, approval(s) from the relevant PRC regulatory authorities in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Accordingly, Shareholders and potential investors of the Company should be aware that the Company does not guarantee that the Proposed Spin-off will materialise nor the timing thereof, and are advised to exercise caution when dealing in the securities of the Company.

References are made to the announcements of the Company dated 7 April 2021 and 3 September 2021 (collectively, the “**Announcements**”) in relation to the Proposed Spin-off and the Proposed A-Share Listing of Spin-off Co on the PRC Stock Exchange. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Announcements.

The Board hereby provides the latest update on the progress of the Proposed Spin-off.

APPROVAL IN RESPECT OF THE PROPOSED SPIN-OFF

As at the date of this announcement, the Group indirectly held approximately 78.5% equity interest in the Spin-off Co and the Spin-off Business mainly includes research and development, design, sale of network system products and solutions and service ancillary to products sold such as commissioning and after-sale services etc. The Company submitted an application in relation to the Proposed Spin-off pursuant to PN15 to the Hong Kong Stock Exchange for approval and the Hong Kong Stock Exchange confirmed on 3 September 2021 that the Company might proceed with the Proposed Spin-off.

Due to the impact of the outbreak of COVID-19 on relevant processes, the Company postponed the Proposed Spin-off and the submission of the listing application for the Proposed A-Share Listing which was initially scheduled in the second half of 2021.

As the COVID-19 pandemic situation has improved recently, the Board is pleased to announce that the Company has decided to resume and proceed with the Proposed Spin-off under PN15 of the Hong Kong Listing Rules and the listing application for the Proposed A-Share Listing, which is planned to be submitted in September 2023.

Subject to fulfilment of the conditions set out in the paragraph headed “Conditions of the Proposed Spin-off” below, it is proposed that the Spin-off Co will apply for a separate listing of its A-shares on the PRC Stock Exchange and will be spun-off from the Group. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed A-Share Listing will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing. The actual number of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to regulatory approvals by the PRC Stock Exchange and the CSRC, discussions among the management of the Spin-off Co, the PRC Sponsor and other advisers for the Proposed A-Share Listing and, in particular, the market conditions. In any event, the Group is expected to hold not less than 58.9% of the enlarged issued share capital of the Spin-off Co following completion of the Proposed A-Share Listing, and the Spin-off Co will remain as a subsidiary of the Company.

Based on the current timetable, it is expected that the listing application of the Spin-off Co will be made in September 2023 and the listing of the A-shares of the Spin-off Co on the PRC Stock Exchange, if approved and proceeded with, will be around the second half of 2024.

Conditions of the Proposed Spin-off

Based on the information currently available to the Board, the Proposed Spin-off will be conditional upon, among other things, the fulfillment of the following conditions:

- (i) the approval by the CSRC, the PRC Stock Exchange and other authorities in relation to the Proposed A-Share Listing;
- (ii) the approval by the Shareholders in relation to the Proposed Spin-off at the EGM; and
- (iii) the approval by any other applicable PRC regulatory authorities for the listing of and permission to deal in the A-shares to be issued by the Spin-off Co.

If any of the above conditions is not fulfilled, the Proposed Spin-off will not proceed and the Company will make an announcement accordingly.

Proceeds to be raised from the Proposed A-Share Listing and proposed use of proceeds

On the assumption that the proposed offering size represents 25% of the enlarged issued share capital of the Spin-off Co, it is currently expected that the gross proceeds to be raised under the Proposed A-Share Listing will be within the range of approximately RMB0.8 billion to approximately RMB1.8 billion. The actual amount of proceeds to be raised cannot be determined at this stage as the actual number and final offer price of new A-shares of the Spin-off Co to be issued will be determined at a later stage subject to a number of factors.

Based on the discussions between the management of the Spin-off Co and the PRC Sponsor, the number and final offer price of new A-shares to be issued under the Proposed A-Share Listing will be determined taking into account (i) the historical operating results and financial performance of the Spin-off Group; (ii) the business prospects of the Spin-off Group; (iii) the capital needs of the Spin-off Group and proposed use of proceeds as further discussed below; (iv) the then responses to price consultation with potential subscribers in the book-building process for the Proposed A-Share Listing; (v) the prevailing market sentiment at the time of the Proposed A-Share Listing; and (vi) the reference to be drawn from other comparable companies in the same industry listed on the PRC Stock Exchange.

It is expected that the proceeds from the Proposed A-Share Listing will be applied for the development of the Spin-off Business, including: (i) a research and development project of communication base station products and industry solutions based on 5G technology; (ii) a research and development project of a new generation of multi-mode and multi-frequency remote radio unit; (iii) a research and development project of a co-constructed and shared high-performance distributed digital radio remote system for 2G/3G/4G/5G; (iv) a construction project of intelligent upgrade for the next generation of 5G+ communication products; (v) as a supplement to the working capital of the Spin-off Group.

Details of the Proposed Spin-off will be available at a later stage. Further announcement(s) will be made by the Company as and when appropriate in compliance with the Hong Kong Listing Rules. Shareholders and potential investors of the Company should be aware that the expected offer size and the estimated gross proceeds as referred to above is for illustration purposes only and the actual amount to be raised and the proposed use of proceeds shall be subject to the listing application documents to be submitted by the Spin-off Co taking into account, among others, the PRC domestic market conditions at the time of the materialization of the Proposed A-Share Listing as well as the business development of the Spin-off Group, and may vary substantially from the amounts estimated above.

INFORMATION ON THE GROUP AND THE SPIN-OFF GROUP

The Group was established in 1997 and is a global leading wireless solutions provider with its own research and development facilities, manufacturing base and sales and service teams. The Company has been primary listed on the Main Board of the Hong Kong Stock Exchange since 2003 and secondary listed on the Main Board of the SGX-ST since 2023. The Group is principally engaged in the provision of products and solutions for antenna and subsystems and network products. For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments, namely, (i) wireless telecommunications network system equipment and services; and (ii) operator telecommunication services and their value-added services. The wireless telecommunications network system equipment and services comprise two main lines of business – (i) the antenna and subsystems operation; and (ii) the network systems operation (i.e. the Spin-off Business).

The Spin-off Group

The Spin-off Co is a company established in September 2003 in the PRC and was subsequently transformed into a joint stock limited company for the purpose of taking up the Spin-off Business from the Company to achieve better delineation between the Remaining Business and the Spin-off Business.

As at the date of this announcement, the Company indirectly held approximately 78.5% equity interest in the Spin-off Co and the Spin-off Co had 15 wholly-owned subsidiaries.

The Spin-off Business

The Spin-off Business mainly includes research and development, design, sale of network system products and solutions and service ancillary to products sold such as commissioning and after-sale services etc. The main products are network products which includes (i) base station products including integrated base station, extending base station, high-power base station and (ii) radio frequency products including coverage extender products, including distributed antenna system solutions and repeater stations, and Open RAN Remote Radio Unit products, and 5G industry basic network platform, all of which are crucial to the deployment of 5G technology. Customers of the Spin-off Business are mainly mobile network operators.

Financial information

The following table summarises the unaudited consolidated financial information of the Spin-off Group extracted from its management accounts included in the audited consolidated financial statements of the Group for the years ended 31 December 2021 and 2022:

	For the year ended 31 December	
	2021	2022
	(HK\$' million) ⁽¹⁾	(HK\$' million) ⁽²⁾
	(unaudited)	(unaudited)
Revenue	1,400	1,239
Profit (loss) before taxation	10	(10)
Profit (loss) attributable to shareholders of the Spin-off Co	4	(12)

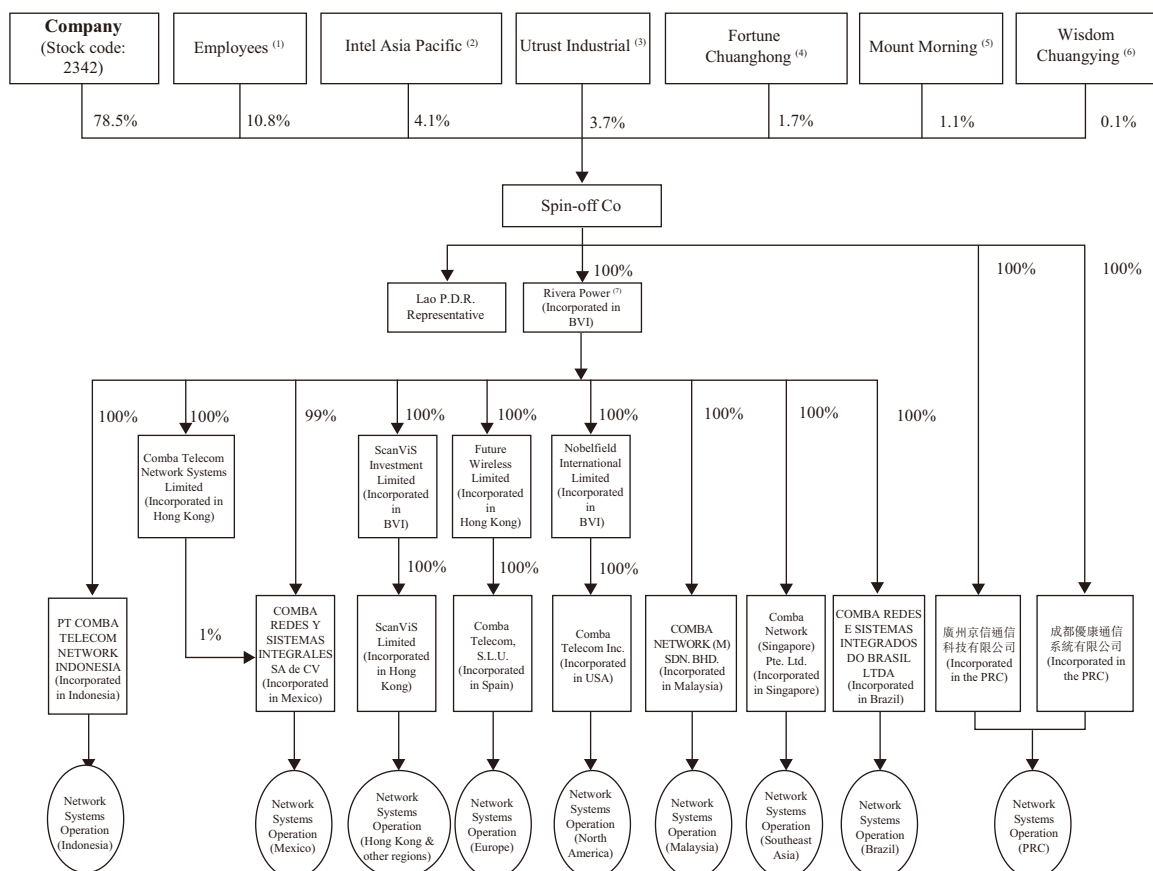
Notes:

- (1) The exchange rate adopted for conversion of RMB to HKD for the 2021 financial year was based on the average exchange rate of RMB1 to HKD1.204734.
- (2) The exchange rate adopted for conversion of RMB to HKD for the 2022 financial year was based on the average exchange rate of RMB1 to HKD1.165566.

As at 31 December 2022, the unaudited consolidated net asset value of the Spin-off Group was approximately RMB294.5 million (equivalent to approximately HK\$333.3 million).

Effect of the Proposed Spin-off on the shareholding structure of the Spin-off Co

Set out below is the shareholding structure of the Spin-off Co as at the date of this announcement:

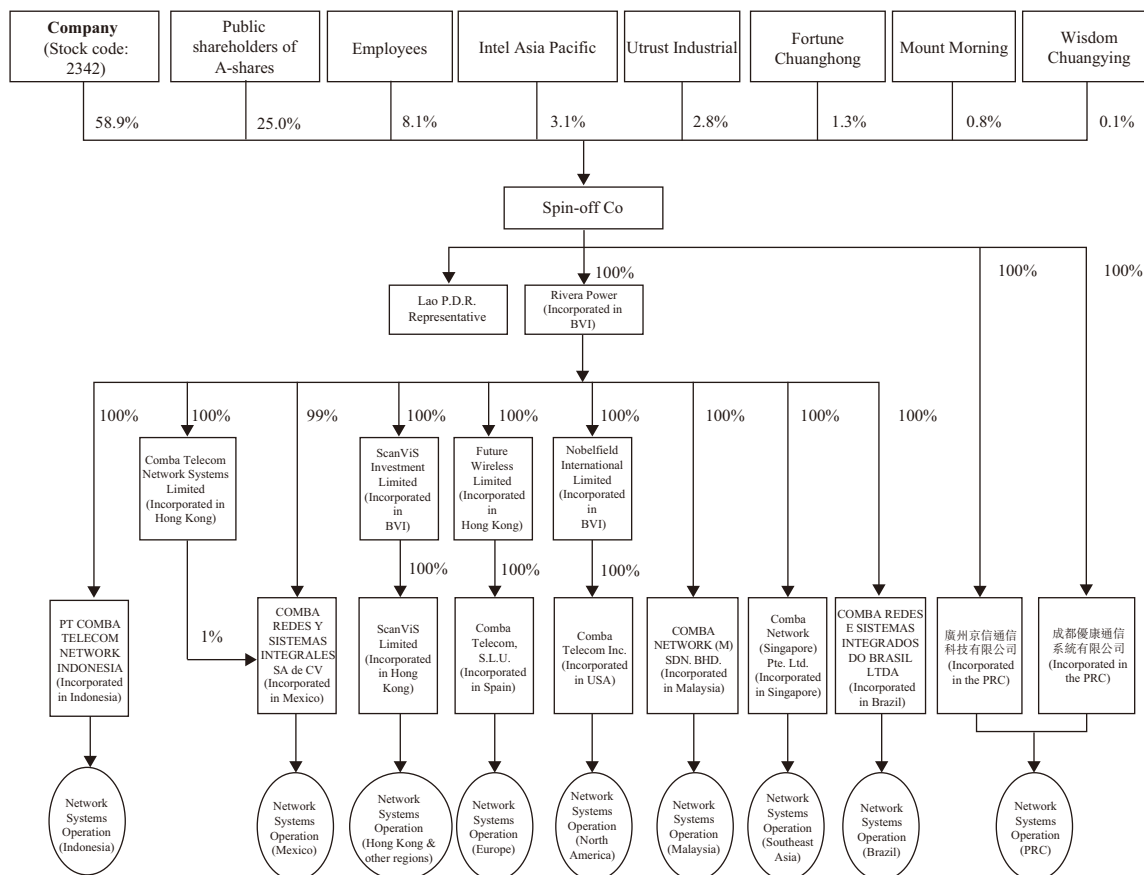


Notes:

- (1) As of the date of this announcement, the employees of Spin-off Co. collectively held approximately 10.8% equity interest in Spin-off Co through 11 limited partnerships established under the laws of the PRC, namely (i) Xin Han Tong No.1 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通一號企業管理(珠海)合夥企業(有限合夥)); (ii) Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)); (iii) Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)); (iv) Xin Han Tong No.5 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通五號企業管理(珠海)合夥企業(有限合夥)); (v) Xin Han Tong No.6 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通六號企業管理(珠海)合夥企業(有限合夥)); (vi) Xin Han Tong No.7 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通七號企業管理(珠海)合夥企業(有限合夥)); (vii) Xin Han Tong No.8 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通八號企業管理(珠海)合夥企業(有限合夥)); (viii) Xin Han Tong No.9 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通九號企業管理(珠海)合夥企業(有限合夥)); (ix) Xin Han Tong No.10 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通十號企業管理(珠海)合夥企業(有限合夥)); (x) Xin Han Tong No.11 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通十一號企業管理(珠海)合夥企業(有限合夥)) and (xi) Xin Han Tong No.12 Enterprise Management (Zhuhai) Partnership L.P.* (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)).

- (2) As of the date of this announcement, Intel Asia Pacific Research and Development Ltd. (英特爾亞太研發有限公司) (“**Intel Asia Pacific**”) held approximately 4.1% equity interest in Spin-off Co.
- (3) Guangdong Utrust Industrial Investment Fund Partnership (L.P.)* (廣東粵財產業投資基金合夥企業(有限合夥)) (“**Utrust Industrial**”) is a limited partnership established under the laws of the PRC. As of the date of this announcement, Utrust Industrial held approximately 3.7% equity interest in Spin-off Co.
- (4) Shenzhen Fortune Chuanghong Private Equity Investment Company (L.P.)* (深圳市達晨創鴻私募股權投資企業(有限合夥)) (“**Fortune Chuanghong**”) is a limited partnership established under the laws of the PRC. As of the date of this announcement, Fortune Chuanghong held approximately 1.7% equity interest in Spin-off Co.
- (5) Beijing Mount Morning Venture Capital Fund Partnership (L.P.)* (北京晨山創業投資基金合夥企業(有限合夥)) (“**Mount Morning**”) is a limited partnership established under the laws of the PRC. As of the date of this announcement, Mount Morning held approximately 1.1% equity interest in Spin-off Co.
- (6) Shenzhen Wisdom Chuangying Private Equity Investment Company (L.P.)* (深圳市財智創贏私募股權投資企業(有限合夥)) (“**Wisdom Chuangying**”) is a limited partnership established under the laws of the PRC. As of the date of this announcement, Wisdom Chuangying held approximately 0.1% equity interest in Spin-off Co.
- (7) Rivera Power Limited (“**Rivera Power**”) is a limited company incorporated under the laws of the British Virgin Islands and is a wholly-owned subsidiary of Spin-off Co.

Set out below is the shareholding structure of the Spin-off Co immediately upon completion of the Proposed Spin-off assuming that the number of new A-shares of the Spin-off Co to be issued under the Proposed A-Share Listing represents 25.0% of the enlarged issued share capital of the Spin-off Co:



It is expected that immediately upon completion of the Proposed Spin-off, the Group will indirectly hold not less than 58.9% equity interest in the Spin-off Co and the Spin-off Co will remain as a subsidiary of the Company.

The Remaining Group

After completion of the Proposed Spin-off, the Remaining Group will be principally engaged in the Remaining Business comprising (i) the antenna and subsystems operation, which connects and transfers data over a distance; (ii) provision of comprehensive engineering services to operators; (iii) the provision of operator telecommunication services and value-added services in Lao People's Democratic Republic; and (iv) the research and development, manufacturing and trading of microwave communication system, digital microwave system equipment and intelligent machinery. The products of the Remaining Group transfer and convert high frequency current and electromagnetic spectrums from the antenna mounted on towers or located on top of buildings. The Directors believe that the Remaining Group will retain a sufficient level of operations and sufficient assets for the Company to maintain its listing status after completion of the Proposed Spin-off.

FINANCIAL EFFECTS OF THE PROPOSED SPIN-OFF ON THE GROUP

Following completion of the Proposed Spin-off, the Group is expected to hold not less than 58.9% of the enlarged issued share capital of the Spin-off Co, and the Spin-off Co will continue to be accounted for as a subsidiary in the consolidated financial statements of the Group. The expected financial impacts of the Proposed Spin-off on the Group are as follows:

Earnings

The Proposed Spin-off, which is expected to involve the issue of new A-shares of the Spin-off Co, will constitute a deemed disposal of the Group's interest in the Spin-off Co. It is expected that the difference between the net proceeds from the issue of new A-shares of the Spin-off Co and the change of share of consolidated net asset value of the Spin-off Group by the non-controlling interests upon completion of the Proposed A-Share Listing will be recorded in equity attributable to owners of the Company.

Based on the assumption that the number of A-shares of the Spin-off Co to be issued at the Proposed A-Share Listing represents 25% of the enlarged share capital of the Spin-off Co, the Proposed A-Share Listing will result in a dilution of the Group's interest in the Spin-off Co from approximately 78.5% as at the date of this announcement to approximately 58.9% immediately after the completion of the Proposed A-Share Listing.

Assets and liabilities

The Proposed Spin-off, which is expected to involve the issue of new A-shares of the Spin-off Co for cash, is expected to increase the amount of cash recorded in the consolidated statement of financial position of the Group and the total assets of the Group correspondingly.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF

The Board considers that the Proposed Spin-off will be beneficial to both the Remaining Group and the Spin-off Group for the following reasons:

(i) Adoption of different business strategies

The Proposed Spin-off will enable the respective management teams of the Company and the Spin-off Co to dedicate their time on building the core businesses of the Remaining Group and the Spin-off Group, respectively, to adopt different business strategies in order to better suit their respective businesses, and increase their responsiveness to market changes and opportunities specific to the business of the relevant group. The Proposed Spin-off will also provide greater financial transparency and business coherence and clearer corporate structure to each of the Remaining Group and the Spin-off Group and to allow the Spin-off Group to create a more defined business focus and efficient resource allocation, thus enhancing operation efficiency of each of the Remaining Group and the Spin-off Group.

(ii) Alternative valuation for the businesses

The Spin-off Business has grown to a sufficient size to warrant a separate listing. The Proposed Spin-off substantively separates the Spin-off Business from the Remaining Business, thereby enabling investors and financiers to appraise the strategies, functional exposures, risks and returns of the respective businesses separately and to make their investment decisions accordingly. The Proposed Spin-off will allow the Company and the Shareholders an opportunity to realise their fair value of investment in the Spin-off Co; and the Company will continue to be the beneficial owner of a majority of shares in the Spin-off Co upon completion of the Proposed Spin-off and to benefit from any enhanced value of the Spin-off Group through consolidation of the Spin-off Group's accounts and receipt of dividend distributions (if any).

(iii) New sources of fund raising and financing opportunities

The Proposed Spin-off will enable the Remaining Group and the Spin-off Group to have their separate fund raising platforms to directly and independently access both the debt and equity capital markets, which in turn may provide greater aggregate financing capacity to both the Remaining Group and the Spin-off Group to deploy their funds towards their respective developments, operations and investment opportunities, as there will be greater clarity on the respective financial status of each of the Remaining Group and the Spin-off Group. In addition, the cash proceeds to be received from the public offering and placing of A-shares of the Spin-off Co will provide capital to the Spin-off Group for its operations and expansion plan. The Proposed Spin-off will potentially provide greater debt capacity due to greater clarity for credit profiling of each of the Company and the Spin-off Co respectively by financial institutions that wish to extend credit or financing to the Company or the Spin-off Co.

(iv) Segregation of different business

The Proposed Spin-off and a separate listing of the shares of the Spin-off Co will not only enhance the Spin-off Group's profile amongst its customers, suppliers and other business partners, but will also improve the Spin-off Group's ability to recruit, motivate and retain key management personnel by enhanced management incentives through adoption of equity-based incentive program.

(v) Ability to attract and form strategic partnerships

The Proposed Spin-off will enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Spin-off Group, for investment in and forming strategic partnerships with the Spin-off Group.

(vi) Enhanced corporate governance of the Spin-off Group

The Proposed Spin-off will increase the operational and financial transparency and enhance the corporate governance of the Spin-off Group and provide investors, financial institutions and rating agencies with greater clarity on the business and financial status of each of the Remaining Group and the Spin-off Group on a stand-alone basis, and such enhancement will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Remaining Group and the Spin-off Group.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

In accordance with the requirements of paragraph 3(f) of PN15, the Company is required to give due regard to the interests of the existing Shareholders by providing them with an assured entitlement to the A-shares of the Spin-off Co if the Proposed A-Share Listing proceeds. However, the Board considers that it is not practicable to provide assured entitlement of the A-shares of the Spin-off Co as further explained below and that the requirement of paragraph 3(f) of PN15 of the Hong Kong Listing Rules cannot be met. Accordingly, the Company made an application for the Waiver to the Hong Kong Stock Exchange, which subsequently has granted the Waiver.

In determining the venue for the proposed listing of the Spin-off Co, the Board has made due and careful consideration, taking into account, among other things, the nature of the Spin-off Business, the jurisdiction in which the Spin-off Co was established and had been operating its business, and the characteristics of different capital markets, and concluded that it is more suitable to seek a listing of the Spin-off Co on the A-share market in the PRC.

Based on the legal advice from the Company's PRC legal counsel, according to applicable PRC laws, only certain qualified foreign investors are allowed to subscribe for or participate in the offering of A-shares, which include, among others, (a) qualified foreign institutional investors; (b) qualified domestic institutional investors of the PRC; (c) foreign strategic investors approved by Ministry of Commerce of the PRC; (d) individuals with permanent residence in the PRC; and (e) residents of Hong Kong, Macao Special Administrative Region or Taiwan who live and work in the PRC. Based on the shareholders register of the Company as at the date of this announcement, most of the registered Shareholders are individuals with addresses in Hong Kong. The Board believes most of these Shareholders are not PRC residents. Further, Mr. Fok Tung Ling and Mr. Zhang Yue Jun, who are both Directors and Shareholders, have confirmed that they are not qualified foreign investors for the purpose of investing in A-shares. In light of the above, the Board considers it impracticable to provide the Shareholders with assured entitlement under the Proposed Spin-off in light of the legal restrictions for foreign investors to subscribe for or participate in the offering of A-shares.

Moreover, the Securities Law and the Administrative Measures on Issuance and Underwriting of Securities of the PRC provides that any issuing entities upon public offering shall obtain the approval from the securities regulatory and management authorities. "Public Offering" includes the issuance by offline distribution and online subscription to investors in compliance with the quotation, subscription procedures and rules. For offline distribution, existing Shareholders may participate in the offline distribution on the condition that they could provide effective quotations according to the PRC law. Even if they could provide such effective quotation, the Company would be unable to make any preferential allocations of the offer shares to its existing Shareholders on the ground that all investors should be treated equally. For online subscription, after the effective subscription amount is confirmed, all valid subscription would need to be assigned through balloting. Accordingly, in implementing the proposal for the Proposed A-Share Listing, it would be impossible for the Company to issue shares in the Spin-off Co to specific people and reserve shares for Shareholders in Hong Kong pursuant to the existing laws of the PRC.

It is contemplated that the Group will hold not less than 58.9% of the issued share capital in the Spin-off Co and will continue to be the holding company of the Spin-off Co after the Proposed Spin-off. The financial results of the Spin-off Co will continue to be consolidated into the Group's financial statements, and the Shareholders will continue to enjoy the contribution from the Spin-off Co as well as the benefits of the Proposed Spin-off as described above through their holdings in the Shares. The Board is of the view that the interest of the Shareholders would not be materially prejudiced by not providing assured entitlement to the A-shares of the Spin-off Co to the Shareholders.

Having considered the above and the reasons for and benefits of the Proposed Spin-off mentioned above, the Board is of the view that the Proposed Spin-off and the Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Furthermore, the Board considers that it is not practicable to provide assured entitlement of the A-shares of the Spin-off Co and that the requirement of paragraph 3(f) of PN15 of the Hong Kong Listing Rules cannot be met. Thus, the Company has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirement under Paragraph 3(f) of PN 15.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Group indirectly held approximately 78.5% equity interest in the Spin-off Co. The listing of the Spin-off Co is expected to involve the issue of new A-shares of the Spin-off Co by way of public offer and/or placing. It is intended that the number of new A-shares to be issued under the Proposed Spin-off will not be more than 25% of the enlarged issued share capital of the Spin-off Co after the aforesaid public offer and/or placing, following which the ownership of the Group in the Spin-off Co will be diluted to not less than 58.9%. Accordingly, the Proposed Spin-off and the Proposed A-Share Listing, if materialised, will constitute a deemed disposal of the Group's interest in the Spin-off Co under Rule 14.29 of the Hong Kong Listing Rules.

Based on the upper end of the currently expected offer size of approximately RMB1.8 billion under the Proposed A-Share Listing, the highest applicable percentage ratio under Rule 14.07 of the Hong Kong Listing Rules, in respect of the Proposed Spin-off is expected to exceed 25% but will be less than 75%. Accordingly, the Proposed Spin-off, if proceeded, will constitute a major disposal and not a very substantial disposal of the Company under Chapter 14 of the Hong Kong Listing Rules and will be subject to the reporting, announcement and Shareholders' approval requirements under PN15 and Chapter 14 of the Hong Kong Listing Rules.

The Company will make further announcement(s) in relation to the Proposed Spin-off and Proposed A-Share Listing as and when appropriate in accordance with the applicable requirements of the Hong Kong Listing Rules.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the Proposed Spin-off.

The Independent Board Committee comprising Mr. Lau Siu Ki, Kevin, Ms. Ng Yi Kum and Ms. Wong Lok Lam, being all the independent non-executive Directors, has been established to advise the Shareholders in respect of the Proposed Spin-off. GM Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in this regard.

A circular containing, among others things, (i) information of the Proposed Spin-off and the Waiver in respect of the assured entitlement requirement under the Proposed Spin-off; (ii) the letter of recommendation of the Independent Board Committee to the Shareholders in respect of the Proposed Spin-off; (iii) the letter of advice from GM Capital to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off; (iv) the financial information of the Group; (v) a notice convening the EGM; and (vi) other information as required under the Hong Kong Listing Rules, is expected to be despatched to the Shareholders on 25 August 2023.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and the Proposed A-Share Listing are subject to, among other things, approval(s) from the relevant PRC regulatory authorities in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Accordingly, Shareholders and potential investors of the Company should be aware that the Company does not guarantee that the Proposed Spin-off will materialise nor the timing thereof, and are advised to exercise caution when dealing in the securities of the Company.

Definitions

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“A-share(s)”	ordinary share(s) denominated in RMB of a company listed on the PRC Stock Exchange
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Company”	Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and the issued Shares of which are primary listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2342) and secondary listed on the Main Board of the SGX-ST (stock code: STC)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve the resolution(s) in relation to the Proposed Spin-off
“GM Capital”	Grand Moore Capital Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Shareholders on the Proposed Spin-off

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency for the time being of Hong Kong
“holding company”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Shareholders on the Proposed Spin-off
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange
“PN15”	Practice Note 15 of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“PRC Sponsor”	the sponsor acting for the Spin-off Co in relation to the Proposed A-share Listing
“PRC Stock Exchange”	the Shanghai Stock Exchange in the PRC
“Proposed A-Share Listing”	the proposed listing of the A-shares of the Spin-off Co on the PRC Stock Exchange
“Proposed Spin-off”	the proposed spin-off of the Spin-off Co by the Company for a separate listing of the A-shares of the Spin-off Co on the PRC Stock Exchange
“Remaining Business”	the principal business of the Remaining Group as described in this announcement
“Remaining Group”	the Group excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC

“Senior Management”	the three individuals who are the senior management members of the Spin-off Group
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Spin-off Business”	the principal business of the Spin-off Group
“Spin-off Co”	京信網絡系統股份有限公司 (Comba Network Systems Company Limited*), a company established in the PRC with limited liability and an indirect non wholly-owned subsidiary of the Company
“Spin-off Group”	the Spin-off Co and its subsidiaries
“subsidiary(ies)”	has the meaning as ascribed to it under the Hong Kong Listing Rules
“Waiver”	the waiver from strict compliance with paragraph 3(f) of PN15 in respect of the assured entitlement under the Proposed Spin-off
“%”	per cent.

By order of the Board
Comba Telecom System Holdings Limited
Fok Tung Ling
Chairman

Hong Kong, 8 August 2023

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. XU Huijun, Mr. CHANG Fei Fu and Ms. HUO Xinru; the following non-executive Director: Mr. WU Tielong; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Ms. NG Yi Kum and Ms. WONG Lok Lam.

* *In this announcement, the English translation/transliteration of the Chinese names denoted is for illustration purposes only. In the event of any inconsistency, the Chinese names shall prevail.*