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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)*

**(Stock Code: 2342)**

#### **DISCLOSEABLE TRANSACTION ACQUISITION OF INTEREST IN ETL PUBLIC COMPANY LTD**

##### **ACQUISITION OF INTEREST IN ETL PUBLIC COMPANY LTD**

On 31 August 2016, Jiafu Holdings, an associated company of the Company in which the Company has 49% interest, entered into the Joint Venture Agreement with the Lao Government, pursuant to which Jiafu Holdings shall acquire a 51% interest in ETL for a consideration of US\$91,800,000. Upon completion of the Joint Venture Agreement, ETL will be owned as to 51% and 49% by Jiafu Holdings and the Lao Government, respectively.

The Company owns 49% of the total issued shares of Jiafu Holdings while the remaining 51% interests of Jiafu Holdings is held by Li Rong International. The Company through its interests in Jiafu Holdings will have a 24.99% attributable interest in ETL, and the Company will make the Capital Contribution of approximately US\$50,000,000 to fund Jiafu Holdings to acquire the 51% interest in ETL.

ETL was established in year 2000 and is the sole State-owned telecom operator in Lao P.D.R. ETL holds a full license of telecom operations and is the third largest telecom operator in Lao P.D.R.

##### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Capital Contribution exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction and is subject to reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## INTRODUCTION

On 31 August 2016, Jiafu Holdings, an associated company of the Company in which the Company has 49% interest, entered into the Joint Venture Agreement with the Lao Government, pursuant to which Jiafu Holdings shall acquire a 51% interest in ETL for a consideration of US\$91,800,000. Upon completion of the Joint Venture Agreement, ETL will be owned as to 51% and 49% by Jiafu Holdings and the Lao Government, respectively.

The Company owns 49% of the total issued shares of Jiafu Holdings while the remaining 51% interests of Jiafu Holdings is held by Li Rong International. The Company through its interests in Jiafu Holdings will have a 24.99% attributable interest in ETL, and the Company will contribute approximately US\$50,000,000 to the capital of Jiafu Holdings by way of subscription of new shares in Jiafu Holdings and pro rata shareholders' loan for funding the acquisition of the 51% interest in ETL by Jiafu Holdings.

ETL was established in year 2000 and is the sole State-owned telecom operator in Lao P.D.R. ETL holds a full license of telecom operations and is the third largest telecom operator in Lao P.D.R.

## THE JOINT VENTURE AGREEMENT

The principal terms of the Joint Venture Agreement are as follows:–

- Date:** 31 August 2016
- Parties:**
- (1) Jiafu Holdings; and
  - (2) Lao Government (represented by the Ministry of Post and Telecommunications of Lao P.D.R)
- Scope of Business:** ETL will principally engage in providing telecommunication services and their value added services for
- mobile phones;
  - fixed phones;
  - long distance telephone;
  - international telephone;
  - Internet;
  - leased line; and
  - content.

**Term of operation of ETL:** The term of operation of ETL is not less than fifteen (15) years and shall be extended or early terminated based on the mutual agreement by the Parties.

No later than six (6) months before expiry of the term, on the basis of mutual agreement between the Parties to extend the term, the Lao Government shall submit relevant applications to all competent Regulatory Authorities in Lao P.D.R and shall procure the term to be extended for such period as the Parties may agree within the extent permitted by the Laws of Lao P.D.R.

**Investment Amount:** ETL will own assets and goodwill with a value of not less than US\$180,000,000. Jiafu Holdings will acquire 51% of ETL from the Lao Government for a consideration of US\$91,800,000. After the acquisition ETL will be held as to 51% by Jiafu Holdings and as to 49% by the Lao Government.

The consideration for acquiring the 51% interest in ETL was determined after arm's length negotiation between the Parties with reference to net asset value of ETL of not less than US\$180,000,000 guaranteed by the Lao Government.

**Conditions Precedent:** The obligations of the Parties are conditional upon satisfaction of, amongst others, the following conditions precedent:

- (1) due diligence on ETL by Jiafu Holdings having been completed with findings to the reasonable satisfaction of Jiafu Holdings;
- (2) all the approvals from the Regulatory Authorities (including but not limited to Ministry of Post and Telecommunications) in Lao P.D.R in relation to the transfer of the Sale Shares and formation of the post-Completion ETL (as a foreign invested limited liability company) and all the updated and amended Licenses and Permits (including but not limited to Type 1 License, 3G and 4G, etc.) necessary and requisite for the post-Completion ETL (as a foreign invested limited liability company) to continue carrying on all the business having been granted to ETL and having remained effective and unrevoked;
- (3) the articles of association for ETL which shall be in consistency with the relevant provisions in the Joint Venture Agreement having been agreed upon by the Parties;

- (4) relevant approvals relating to the foreign exchange control in terms of ETL in Lao P.D.R having been granted and relevant foreign exchange account/bank account having been opened;
- (5) all other necessary third party consents and regulatory approvals (including the Ministry of Post and Telecommunications, the Ministry of Industry and Commerce if needed) required in relation to the transfer of the Sale Shares and ETL of the Lao Government and Jiafu Holdings as shareholders of ETL as contemplated under the Joint Venture Agreement having been granted;
- (6) a list of the assets of the value no less than US\$180,000,000 as set out in the Joint Venture Agreement having been provided by the Lao Government to Jiafu Holdings and having been all verified by Jiafu Holdings; and
- (7) each of the warranties set forth in the Joint Venture Agreement shall be true and accurate as of the date of execution and as at the date of Completion.

**Board of directors of ETL:**

The board of ETL shall consist of seven (7) directors, in which one (1) director will serve as the chairman of the board. The Lao Government shall nominate three (3) directors and Jiafu Holdings shall nominate four (4) directors.

The Lao Government shall appoint the chairman and Jiafu Holdings will appoint the vice chairman from their nominated directors.

**Profit Distribution Arrangement:**

The board of ETL shall distribute the dividends to Jiafu Holdings and the Lao Government in proportion to their then respective shares held in the share capital of ETL at such time and with such amounts as it sees fit, subject to the availability of distributable profits of ETL. The board of ETL shall also allocate certain percentage of the distributable profits of ETL to certain internal funds of ETL as required by the Laws of Lao P.D.R. The board of ETL may also consider retaining all or a portion of these earnings, allocating them to internal funds to support ETL's operations as it sees fit.

**Payment and Completion:**

50% of the consideration (US\$45,900,000) for acquiring the 51% interest in ETL shall be paid by Jiafu Holdings within seven (7) Business Days after signing of the Joint Venture Agreement.

Subject to the fulfilment (or waiver by Jiafu Holdings) of the conditions precedent to the Joint Venture Agreement on or before the long stop date (namely the date falling the sixty (60) Business Days after the date of the Joint Venture Agreement), the remaining 50% of the consideration (US\$45,900,000) shall be paid by Jiafu Holdings upon Completion which shall take place on the Business Day immediately after fulfilment (or waiver) of all the conditions precedent.

The Company will make the Capital Contribution to Jiafu Holdings in batches to fulfil the payment obligations under the Joint Venture Agreement in accordance with the foregoing timeline. After the Capital Contribution, the Company's interest in Jiafu Holdings will remain 49%.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Lao Government, Li Rong International and ETL and their respective ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

## **INFORMATION OF THE PARTIES TO THE JOINT VENTURE AGREEMENT**

### **The Company**

The principal activity of the Company is investment holding while its subsidiaries are principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services.

### **ETL and Lao Government**

ETL was established in year 2000 and is the sole State-owned telecom operator in Lao P.D.R. The assets and operation of ETL are owned and supervised by the Ministry of Finance and the Ministry of Post and Telecommunications of Lao P.D.R. respectively.

### **Li Rong International**

The principal activity of Li Rong International is investment holding.

After completion of the Joint Venture Agreement, the Company will have an attributable interest of 24.99% in ETL. The assets and liabilities and financial results of ETL will not be consolidated into that of the Company.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION OF INTEREST IN ETL**

The Company has substantial experience in research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services.

ETL is sponsored to promote the development of telecommunication network and telecommunication services, value added services and other services in Lao P.D.R. Pursuant to the Joint Venture Agreement, ETL will be changed from a State-owned company to a foreign invested limited liability company.

Although the economy of Lao is in the development process, with the assistance from the surrounding countries such as the PRC, the social economy and the telecommunication development have been thriving. Lao is one major corridor of the PRC's "One Belt One Road" and the PRC Government has been actively engaging in participating in Lao's infrastructure projects.

ETL holds a full license of telecom operations and is the third largest telecom operator in Lao P.D.R. ETL has established an optical fiber network coverage throughout the Lao P.D.R. The wide spectrum of customers of ETL spans from the government departments to leading industrial and commercial enterprises in Lao P.D.R. ETL has established a reputation and has laid down a solid foundation for the further development in the future. Through the participation of ETL, the Company will be able to provide comprehensive network solutions, including 2G, 3G and 4G mobile networks to telecommunication operators in Lao P.D.R. By investing into ETL, the Company may not only seize the opportunity to transform its business model from being a telecom equipment manufacturer to being a telecom operator, but also utilize ETL as the research and development testing centre for the new products of the Company such as microwave, satellite and Small Cell. The Board believes that the acquisition of interest in ETL through Jiafu Holdings represents a good opportunity to enable the Company to be benefited from potential financial upside return and investment income as the broadband network buildouts and enhancement continue to advance.

Based on the aforesaid and having taken into account, among others, (1) the consideration to be paid for by Jiafu Holdings for the acquisition of the Sale Shares as compared with the net asset value of ETL; and (2) the management role of Jiafu Holdings, the Directors consider that the terms of the Joint Venture Agreement (including the profit distribution arrangement and the management of ETL) are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Capital Contribution exceed 5% but are less than 25%, such transaction constitutes a discloseable transaction and is subject to reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expression shall have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or a Sunday or public holiday) on which banks in Hong Kong, PRC and Lao P.D.R are actually open for banking business during banking hours
“Capital Contribution”	the capital contribution of approximately US\$50,000,000 by the Company to Jiafu Holdings by way of subscription of new shares in Jiafu Holdings and pro rata shareholders’ loan for funding Jiafu Holdings to acquire 51% interest in ETL and to meet the future working capital requirements of ETL
“Completion”	completion of the sale and purchase of the Sale Shares
“Company”	Comba Telecom System Holdings Limited (京信通信系統控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“ETL”	ETL Public Company Ltd, a State-owned company incorporated under the Laws of Lao P.D.R which will be changed to a foreign invested limited company after completion of the Joint Venture Agreement
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jiafu Holdings”	Jiafu Holdings Limited, a company incorporated in Hong Kong with limited liability and a special purpose vehicle established for the sole purpose of holding the investment in ETL. The Company and Li Rong International are interested in Jiafu Holdings as to 49% and 51%, respectively

“Joint Venture Agreement”	The joint venture agreement dated 31 August 2016 entered into amongst Jiafu Holdings and the Lao Government (represented by the Ministry of Post and Communications of Lao P.D.R) in relation to the acquisition of interest in and operation of ETL
“Lao Government”	the Government of Lao People’s Democratic Republic
“Lao” or “Lao P.D.R”	the People’s Democratic Republic of Lao
“Li Rong International”	Li Rong International Limited, a company incorporated in the British Virgin Islands with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties to the Joint Venture Agreement
“Regulatory Authority”	any government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental, administrative or investigative body, court, trade agency, association, institution, authority, agency or commission or any other body or person whatsoever in each case in any jurisdiction
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	51% of the issued share capital of the ETL where the Lao Government intends to sell to Jiafu Holdings and Jiafu Holdings intends to purchase from the Lao Government
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United State dollars, the lawful currency of United States



“%”

per cent.

By Order of the Board  
**Comba Telecom Systems Holdings Limited**  
**Fok Tung Ling**  
*Chairman*

Hong Kong, 1 September 2016

*As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. ZHENG Guo Bao, Mr. YEUNG Pui Sang, Simon and Mr. ZHANG Yuan Jian; and the following independent non-executive Directors: Mr. LIU Cai, Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong and Mr. QIAN Ting Shuo.*