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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO

(I) CONNECTED TRANSACTION –

TRANSFER OF LIMITED PARTNERSHIP INTERESTS FROM THE G GENERAL PARTNER TO CERTAIN EXISTING G LIMITED PARTNERS AND ADDITIONAL G LIMITED PARTNERS;

AND

(II) DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

References are made to the announcements of Comba Telecom Systems Holdings Limited (the “**Company**”) dated 10 June 2020 and 24 June 2020 (collectively, the “**2020 Announcements**”) and 12 April 2021 (the “**2021 Announcement**”) in relation to, inter alia, the establishment of the G Partnerships, the Transfer of LP Interests and the deemed disposal of equity interest in Comba Network. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the 2020 Announcements and the 2021 Announcement. This announcement is made to provide supplemental information in relation to the 2021 Announcement.

THE CAPITAL COMMITMENT OF THE NEW G PARTNERSHIPS

As set out in the 2020 Announcements, the Board is of the view that the Scheme will enable the Group (i) to establish and optimise the performance-oriented culture for value creation for its Shareholders; (ii) to secure long-term stable development of the Group; (iii) to optimise the basic remuneration, short-term incentives and long-term incentives of the management, technical and skilled talents of the Group so as to retain different talents in a more flexible and effective manner for better promotion of the development of the Group; and (iv) to effectively motivate enthusiasm of key personnel to make best efforts to enhance their performance so as to strengthen the core competitiveness of the Group.

It was stated in the 2021 Announcement that the total commitment of the New G Partnerships and the amount of capital contribution of each Partner are determined on the basis of the valuation of the assets of Comba Network as at 31 December 2019 (the “**2019 Asset Valuation**”) appraised by an independent PRC valuer engaged by Comba Network for the purpose of the Scheme to, amongst others, optimise the basic remuneration, short-term incentives and long-term incentives of the management, technical and skilled talents of the Group, as disclosed above. Notwithstanding that the capital commitment of the New G Partnerships took place in 2021, its nature is identical to that of the Existing G Partnerships, which took place in 2020, and adhered to the purpose of the Scheme as set out above. Therefore, since the capital commitment of the Existing G Partnerships was determined on the basis of, amongst others, the 2019 Asset Valuation, the Board considered that it would be appropriate to also adopt the 2019 Asset Valuation as a basis for determining the capital contribution to, or capital commitment of, the New G Partnerships.

For the reasons stated above, the Board is of the view that the capital contribution to, or capital commitment of, the New G Partnerships is fair and reasonable on the basis of the 2019 Asset Valuation.

THE TRANSFER OF LP INTERESTS

Subsequent to the contribution of RMB14.67 million to the Existing G Partnerships as set out in the 2020 Announcements and prior to the Transfer of LP Interests, Comba Consulting transferred its limited partnership interests in the Existing G Partnerships in the amount of RMB0.5 million to Mr. Sun Tao (孫滔), who was appointed as a director in a subsidiary of the Company with effect from 23 October 2020. The remaining interests held by Comba Consulting in the Existing G Partnerships, after completion of all the foregoing events, is RMB0.17 million. Such remaining interests will be held by Comba Consulting for transferring to new limited partner(s) for the purpose of the Scheme as and when appropriate.

As set out in the 2021 Announcement, the consideration for the Transfer of LP Interests was in the aggregate amount of RMB14 million, which is equivalent to the original acquisition cost of the interests of limited partnerships. Such consideration of RMB14 million was determined on the basis of the 2019 Asset Valuation, which the Board considered to be fair and reasonable for the reasons stated above.

SHAREHOLDING STRUCTURE OF COMBA NETWORK AND THE COMPANY'S INTEREST IN COMBA NETWORK

(i) The detailed shareholding structure of Comba Network and (ii) the Company's interest in Comba Network (through the Company's subsidiaries) immediately before and after the completion of the Transfer of LP Interests and the New Share Acquisitions is as follows:

Shareholder	Immediately before completion of the Transfer of LP Interests and the New Share Acquisitions			Immediately after completion of the Transfer of LP Interests and the New Share Acquisitions		
	Percentage of the respective shareholding held by Comba Consulting (approximately)	Percentage of Comba Network held by the respective shareholder (approximately)	Percentage of Comba Network held by the Company through the respective shareholder (approximately)	Percentage of the respective shareholding held by Comba Consulting (approximately)	Percentage of Comba Network held by the respective shareholder (approximately)	Percentage of Comba Network held by the Company through the respective shareholder (approximately)
CTSL	-	85.53	85.53	-	84.04	84.04
Non-G Partnerships						
XHT No. 2 Partnership	18.03	2.12	0.3822	18.03	2.08	0.3755
XHT No. 7 Partnership	20.08	1.17	0.2349	20.08	1.15	0.2314
XHT No. 8 Partnership	18.16	1.84	0.3341	18.16	1.80	0.3275
Existing G Partnerships						
XHT No. 1 Partnership	20.64	0.97	0.2002	0.09	0.95	0.0009
XHT No. 3 Partnership	39.91	1.71	0.6825	0.16	1.68	0.0026
XHT No. 5 Partnership	16.39	1.06	0.1737	0.67	1.04	0.0070
XHT No. 6 Partnership	18.58	1.10	0.2044	0.40	1.08	0.0044
Intel Asia Pacific Research and Development Ltd.	-	4.50	-	-	4.42	-
New G Partnerships						
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))	-	-	-	0.63	0.42	0.0026
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))	-	-	-	0.56	0.47	0.0026
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))	-	-	-	0.57	0.46	0.0026
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))	-	-	-	0.65	0.41	0.0026
Total		100	87.74		100	85.00

DISCREPANCIES IN FINANCIAL FIGURES

It was disclosed that Comba Network's net loss before and after tax for the year ended 31 December 2019 were (i) RMB41 million and RMB37 million, respectively, in the 2021 Announcement, and (ii) RMB197 million and RMB186 million, respectively, in the 2020 Announcements. It was further disclosed that Comba Network's net asset value as at 31 December 2019 was (i) RMB77 million in the 2021 Announcement and (ii) RMB341 million in the 2020 Announcements. Such discrepancies were due to, amongst others, reallocation of expenses, trade receivables, inventories balances and net assets of Comba Network due to business restructuring for its possible spin-off and separate listing on a stock exchange in the PRC, the details of which were disclosed in the announcement of the Company dated 7 April 2021.

For the reasons stated above, based on the latest consolidated management accounts of Comba Network, the relevant financial information of Comba Network for the two financial years immediately preceding the date of this announcement are as follows:

	For the year ended 31 December 2019 <i>(Approximately RMB' million)</i>	For the year ended 31 December 2020 <i>(Approximately RMB' million)</i>
Profit/(Loss) before tax	(46)	103
Profit/(Loss) after tax	(42)	111

Based on the latest consolidated management accounts of Comba Network, the net asset value of Comba Network as at 31 December 2019 and 31 December 2020 were approximately RMB71 million and RMB232 million respectively.

CLARIFICATION IN THE 2021 ANNOUNCEMENT

The Company wishes to clarify that the third paragraph on page 7 of the 2021 Announcement shall read as follows:

On the basis of the valuation of the assets of Comba Network as at 31 December 2019 appraised by an independent PRC valuer engaged by Comba Network for the purpose of the Scheme, the equity market value of Comba Network was RMB1,020 million as at 31 December 2019.

Save for the above clarification, all other information and contents of the 2021 Announcement remain unchanged.

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

Hong Kong, 20 May 2021

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, Mr. BU Binlong and Ms. HUO Xinru; the following non-executive Director: Mr. WU Tielong; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong, Ms. NG Yi Kum and Ms. WONG Lok Lam.

* *For identification purpose only*