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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)

UPDATE ON THE PROGRESS OF THE PROPOSED SPIN-OFF AND LISTING OF COMBA NETWORK SYSTEMS COMPANY LIMITED

Reference is made to the announcement of the Company dated 7 April 2021 in relation to the Proposed Spin-off and Listing of Comba Network on a stock exchange in the PRC.

The Board is pleased to announce that on 3 September 2021, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15 to the Listing Rules.

It is intended that Comba Network will issue new shares and proceed with the listing on the SSE Sci-Tech Board, also known as the Shanghai Stock Exchange STAR Market. The Proposed Spin-off and Listing will result in a reduction of the Company's equity interest in Comba Network and, if materialised, the Proposed Spin-off and Listing will constitute a deemed disposal (as defined under Rule 14.29 of the Listing Rules) of the Company's equity interest in Comba Network.

Based on the information available to the Company as at the date of this announcement, it is expected that the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Spin-off and Listing may exceed 5% but will be less than 25%, the Proposed Spin-off and Listing will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules, but is not subject to approval by the shareholders of the Company under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and Listing is subject to, among others, approval(s) from the relevant PRC regulatory authorities in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

Reference is made to the announcement of Comba Telecom Systems Holdings Limited (the “**Company**”) dated 7 April 2021 (the “**Announcement**”) in relation to the Proposed Spin-off and Listing of Comba Network on a stock exchange in the PRC. Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Announcement.

The Board hereby provides the latest update on the progress of the Proposed Spin-off and Listing to the shareholders of the Company.

APPROVAL IN RESPECT OF THE PROPOSED SPIN-OFF AND LISTING

As disclosed in the Announcement, the Company has submitted an application in relation to the Proposed Spin-off and Listing to the Stock Exchange pursuant to Practice Note 15 (“**PN15**”) of the Listing Rules.

The Board is pleased to announce that on 3 September 2021, the Stock Exchange confirmed that the Company may proceed with the Proposed Spin-off and Listing under PN15 of the Listing Rules.

It is intended that Comba Network will issue new shares and proceed with the listing on the Shanghai Stock Exchange Science and Technology Innovation Board (the “**SSE Sci-Tech Board**”), also known as the Shanghai Stock Exchange STAR Market. The Proposed Spin-off and Listing will result in a reduction of the Company’s equity interest in Comba Network and, if materialised, the Proposed Spin-off and Listing will constitute a deemed disposal (as defined under Rule 14.29 of the Listing Rules) of the Company’s equity interest in Comba Network.

The Proposed Spin-off and Listing is subject to, among other things, approval from the Shanghai Stock Exchange and the performance of issuance registration procedures of the CSRC.

WAIVER IN RESPECT OF ASSURED ENTITLEMENT

Pursuant to the requirements under paragraph 3(f) of PN15, a listed company contemplating a spin-off is required to have due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares of the spun-off entity, either by way of a distribution in specie of existing shares of the spun-off entity or by way of preferred application in any offering of existing or new shares of the spun-off entity.

Pursuant to the advice of the Company's PRC legal adviser in respect of the Proposed Spin-off and Listing (the "**PRC Legal Adviser**"), only investors in compliance with certain requirements under the relevant PRC laws and regulations, including but not limited to, the Securities Law of People's Republic of China (《中華人民共和國證券法》), Measures for the Administration of the Registration of IPO Stocks on the Science and Technology Innovation Board (for Trial Implementation) (《科創板首次公開發行股票註冊管理辦法(試行)》), Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》), Guidance of the China Securities Depository and Clearing Corporation Limited on Brokerage Account Business (《中國證券登記結算有限責任公司證券賬戶業務指南》), Administrative Measures for Securities and Futures Investment Made in China by Qualified Foreign Institutional Investors and RMB Qualified Foreign Institutional Investors (《合格境外機構投資者和人民幣合格境外機構投資者境內證券期貨投資管理辦法》), Measures for the Administration of Strategic Investment in Listed Companies by Foreign Investors (《外國投資者對上市公司戰略投資管理辦法》), will qualify as an applicant for initial public offering of shares listed on SSE Sci-Tech Board, subject to compliance with the trading qualifications of the SSE Sci-Tech Board:

- (i) PRC citizens who have reached the age of 18 (including PRC citizens who are above the age of 16 but under the age of 18, whose main source of income is from their own labour);
- (ii) PRC institutional investors;
- (iii) foreign citizens having a permanent residency in the PRC;
- (iv) residents of Hong Kong Special Administrative Region, Macao Special Administrative Region and Taiwan region working and residing in the PRC;
- (v) foreign natural persons working in the PRC, provided that the securities regulator of his/her state of nationality has entered into regulatory cooperation mechanisms with the CSRC;
- (vi) foreign natural person investors qualified as incentive targets under the Measures for the Administration of Equity Incentives of Listed Companies (《上市公司股權激勵管理辦法》) of the PRC;
- (vii) qualified foreign institutional investors and RMB qualified foreign institutional investors approved by the CSRC; and
- (viii) foreign strategic investors approved by the Ministry of Commerce of the PRC.

((i) to (viii) above are collectively referred to as "**Qualified Investors**")

Pursuant to the Implementation Measures of the Shanghai Stock Exchange for the Shanghai-Hong Kong Stock Connect (《上海證券交易所滬港通業務實施辦法》) and other requirements, investors who had set up accounts to trade on the Shanghai-Hong Kong Stock Connect can hold the shares of a company listed on the SSE Sci-Tech Board, subject to compliance with the requirements of the SSE Sci-Tech Board on Qualified Investors.

An issuer who intends to apply for the initial public offering of its shares on domestic sci-tech boards may do so online, offline or by way of placing, and investors may participate fairly in accordance with the issuance plan of the issuer and the lead underwriter. Except for strategic investment and preferential placement in accordance with relevant PRC requirements, there are no pre-emptive rights (including those for Shanghai-Hong Kong Stock Connect/Shenzhen-Hong Kong Stock Connect shareholders (if any)). Investors participating in the strategic allotment also need to meet the relevant requirements of the relevant PRC laws and regulations.

Besides, pursuant to the register of members of the Company as at 31 August 2021, 2,771,037,189 shares of the Company, representing approximately 99.81% of the Company's total issued shares were held by HKSCC Nominees Limited, and only one shareholder who held 10 shares of the Company was registered under a PRC address. Given the limited information available from the Company's A-Share registrar, it is not feasible for the Company to ascertain whether the A-Share shareholders of the Company are legally entitled to hold any shares of a company listed on the SSE Sci-Tech Board under the PRC laws, so as to determine the percentage of shareholders who are not entitled to hold shares of Comba Network following the Proposed Spin-off and Listing. However, according to the "Stock Connect Southbound Shareholding Search by Date" available on the Stock Exchange's website, only 38,616,000 shares of the Company, representing approximately 1.39% of the total issued shares of the Company, were held by China Securities Depository and Clearing Corporation Limited as nominee for the PRC Stock Connect Investors as at 31 August 2021. As such, it is likely that not all of the existing shareholders of the Company will be entitled to hold A shares securities accounts in the PRC and thus hold shares of Comba Network following the Proposed Spin-off and Listing. Based on the above factors, it is impracticable to preferentially allocate shares of Comba Network to the shareholders of the Company.

In view of the above legal impediments for providing the assured entitlement to the Company's shareholders, it is not feasible for the Company to comply with the requirement of paragraph 3(f) of PN15 in connection with the Proposed Spin-off and Listing. Thus, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under paragraph 3(f) of PN15 (the "**Waiver**").

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND LISTING

The Board considers that the listing of the shares of Comba Network on the SSE Sci-Tech Board will enable Comba Network Group to recruit and retain high calibre employees and in turn improve its performance. This will also enable Comba Network to focus more on the development of its core businesses and strengthen its competitiveness in the industry and its profitability, thereby enhancing the innovation, research and development of relevant technology and enhancing the brand image and recognition of Comba Network Group.

The listing of the shares of Comba Network on the SSE Sci-Tech Board will provide separate fund-raising platforms for the Company and Comba Network, thereby enabling it to raise the capital required to finance its future expansion directly, lower capital costs and therefore facilitate the future development of Comba Network Group.

The Company intends to maintain an interest of over 50% of the issued shares of Comba Network immediately upon the completion of the Proposed Spin-off and Listing. Hence, following the Proposed Spin-off and Listing, the Company will continue to benefit from the business development of Comba Network Group through consolidation of its financial results.

The Group will continue to seize the opportunity of 5G construction, invest in 5G technological research and development, maintain the leading edge of 5G products, and promote the sustainable development of the Group's business. The Group intends to tap into the capital market in the PRC to develop its business with an aim to benefit from the 5G era. Also, with a generally higher valuation for technology plays in the A-share market in the PRC, the Proposed Spin-off and Listing is expected to unlock hidden value and benefit the shareholders of the Company as a whole.

CONFIRMATION FROM THE BOARD

Having considered the above and given that (a) immediately upon the completion of the Proposed Spin-off and Listing, the Company will continue to control Comba Network and the results of Comba Network will continue to be consolidated into the financial statements of the Company; and (b) the Proposed Spin-off and Listing will, among others, enable the Company to capitalise the value of its existing investment in Comba Network Group and to provide a separate fund-raising platform to enhance the possibility of future financing for the further development of Comba Network, the Board is of the view that the Proposed Spin-off and Listing and the Waiver are fair and reasonable, and in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Proposed Spin-off and Listing will result in a reduction of the Company's equity interest in Comba Network and, if materialised, the Proposed Spin-off and Listing will constitute a deemed disposal of the Company's equity interest in Comba Network.

Based on the information available to the Company as at the date of this announcement, it is expected that the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Spin-off and Listing may exceed 5% but will be less than 25%, the Proposed Spin-off and Listing will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules, but is not subject to approval by the shareholders of the Company under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules. The Company will make further disclosure as and when appropriate pursuant to the relevant requirements of the Listing Rules.

The Company will make further announcement(s) in relation to the Proposed Spin-off and Listing in accordance with the applicable requirements of the Listing Rules.

Shareholders and potential investors of the Company should note that the Proposed Spin-off and Listing is subject to, among others, approval(s) from the relevant PRC regulatory authorities in accordance with all applicable regulations and suitable market conditions, thus may or may not materialise. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 3 September 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.