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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)

PROFIT WARNING

This announcement is made by Comba Telecom Systems Holdings Limited (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders of the Company and potential investors that based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 December 2021 (the “**Current Year**”), the Group is expected to record a loss attributable to owners of the Group’s parent company of approximately HK\$590 million for the Current Year, as compared to a loss attributable to owners of the Group’s parent company of approximately HK\$190 million for the year ended 31 December 2020 (the “**Prior Year**”).

The Group is expected to record a net inflow for cash flows from operating activities for the Current Year, as compared to a net outflow for cash flows from operating activities for the Prior Year, representing a significant improvement from net outflow to net inflow and the promising overall liquidity as well as solvency of the Group. Finance costs for the Current Year were also significantly decreased as compared to that of the Prior Year while the gearing ratio for the Current Year was generally comparable with the gearing ratio for the Prior Year and was maintained at a healthy level. On the business front, the sales of antenna products in the People’s Republic of China (the “**PRC**”) and network products in overseas regions since the second half of 2021 recorded a significant growth as compared to that in the corresponding period last year. In particular, the Group has won the bids for centralized procurement projects in respect of base station antennas of three major domestic operators in the PRC, which laid a foundation for such results. Furthermore, operating revenue from ETL Company Limited, a non-wholly-owned subsidiary of the Company and an operator in Laos, for the Current Year also increased significantly as compared to the operating revenue for the Prior Year.

The Group's consolidated loss for the Current Year was primarily attributable to the fact that the global pandemic in 2021 affected the recoverability of receivables, and the rapid technological development in the telecommunications industry resulted in provision for outdated, obsolete and sluggish inventories. Therefore, the Group's expenses in respect of receivables and inventories provision (non-cash flow) increased significantly. Besides, in response to the spin-off and separate listing of Comba Network Systems Company Limited ("**Comba Network**") on the Shanghai Stock Exchange Science and Technology Innovation Board undergoing by the Group, the Group is actively promoting the compliance with the relevant requirements for listing. In addition, as 5G technology entered the stage of in-depth development, the Group increased the relevant investment in its R&D activities in order to launch the 5G network and enhance the competitiveness of new 5G products, resulting in an increase in R&D expenses.

Regarding the spin-off and listing of Comba Network by the Group, the Stock Exchange has also confirmed that the Company may proceed with the proposed spin-off and listing under Practice Note 15 of the Listing Rules (please refer to the announcements of the Company dated 7 April 2021 and 3 September 2021 for details). Comba Network has completed the share reform and change of company name on 8 December 2020 (please refer to the announcement of the Company dated 10 December 2020 for details). After that, several investors, including Intel Asia Pacific Research and Development Ltd. (英特爾亞太研發有限公司), Guangdong Utrust Industrial Investment Fund Partnership (Limited Partnership)* (廣東粵財產業投資基金合夥企業(有限合夥)), Beijing Mount Morning Venture Capital Fund Partnership (Limited Partnership)* (北京晨山創業投資基金合夥企業(有限合夥)), Shenzhen Fortune Chuanghong Private Equity Investment Company (Limited Partnership)* (深圳市達晨創鴻私募股權投資企業(有限合夥)) and Shenzhen Wisdom Chuangying Private Equity Investment Company (Limited Partnership)* (深圳市財智創贏私募股權投資企業(有限合夥)), have subscribed for the shares of Comba Network with a total subscription amount of approximately RMB270 million (please refer to the announcements of the Company dated 22 December 2020, 21 June 2021 and 26 July 2021 for details). The Company has also established a total of 11 partnerships to subscribe for the shares of Comba Network according to the share incentive scheme as a recognition of the contributions by the employees to the Group (in particular, Comba Network and its subsidiaries) (please refer to the announcements of the Company dated 10 June 2020, 24 June 2020, 12 April 2021 and 20 May 2021 for details).

The Group's financial position remains sound with sufficient working capital, and orders of antenna products and network products from 2022 to the date of this announcement increased significantly as compared to the corresponding period last year. Looking forward, the Board remains optimistic about the growth opportunities in telecommunication industry in the Mainland China and the global markets (particularly the business development prospects in 5G indoor coverage and the vertical industry). Based on the above, the Board is confident about the future prospects of the Group.

The information contained in this announcement is based on the preliminary assessment by the Company's management on the unaudited consolidated management accounts of the Group only. Such accounts are under audit by the Company's auditor and have not been reviewed by the Company's audit committee and may be subject to adjustments. Shareholders of the Company and potential investors are advised to read the annual results announcement of the Company for the Current Year carefully, which is expected to be published in late March 2022.

Shareholders and potential investors of the Company should note that the proposed spin-off and listing are 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 of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Comba Telecom Systems Holdings Limited
Chang Fei Fu
Executive Director

Hong Kong, 28 February 2022

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*