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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in Comba Telecom Systems Holdings Limited (the “Company”), you should at once hand this circular together with the accompanying proxy form to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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)

**POSSIBLE MAJOR TRANSACTION AND DEEMED DISPOSAL
IN RELATION TO THE PROPOSED SPIN-OFF AND
SEPARATE LISTING OF THE SPIN-OFF CO
AND
NOTICE OF EGM**

**Independent financial adviser
to the Independent Board Committee and the Shareholders**



A notice convening the extraordinary general meeting (the “EGM”) of the Company to be held at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on Thursday, 14 September 2023 at 11:00 a.m. (Hong Kong time) is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the EGM is enclosed with this circular. Such proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the website of Singapore Exchange Securities Trading Limited at www.sgx.com and the website of the Company at www.comba-telecom.com.

Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form, in accordance with the instructions printed thereon and deposit the same at the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for Hong Kong shareholders of the Company), or to the Company’s Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or by email to shareregistry@incorp.asia (for Singapore shareholders of the Company), as soon as possible and in any event no later than Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time appointed for holding of any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the proxy shall be deemed to be revoked.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

29 August 2023

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“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
“BVI”	the British Virgin Islands
“CDP”	The Central Depository (Pte) Limited
“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 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 SFO, 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 of Hong Kong
“holding company”	has the meaning ascribed to it under the Hong Kong Listing Rules

DEFINITIONS

“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, as may be amended from time to time
“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
“Latest Practicable Date”	20 August 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Manual”	the listing manual of the SGX-ST, as may be amended from time to time
“PN15”	Practice Note 15 of the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan region
“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 circular
“Remaining Group”	the Group excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Securities Accounts”	securities accounts maintained by Depositors with CDP, but not including securities accounts maintained with a Depository Agent
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 registered holder(s) for the time being of Shares. Where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, refer to the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
“Singapore Listing Rules”	the listing rules of the SGX-ST as set out in the Listing Manual
“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
“USA”	the United States of America
“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.

* *In this circular, 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.*

DEFINITIONS

The expressions “Depositor(s)”, “Depository Register” and “Depository Agent” shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act 2001 of Singapore.

Any reference in this circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Hong Kong Listing Rules, the SFO, the Singapore Listing Rules and the Securities and Futures Act 2001 of Singapore, or any modification thereof and used in this circular shall, where applicable, have the meaning assigned to it under the Hong Kong Listing Rules, the SFO, the Singapore Listing Rules and the Securities and Futures Act 2001 of Singapore or any modification thereof, as the case may be..

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)

Executive Directors:

Mr. FOK Tung Ling (*Chairman*)
Mr. ZHANG Yue Jun (*Vice Chairman*)
Mr. XU Huijun (*President*)
Mr. CHANG Fei Fu
Ms. HUO Xinru

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Non-executive Director:

Mr. WU Tielong

*Head office and principal place of
business in Hong Kong:*

Unit 611
Building 8W
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

Independent non-executive Directors:

Mr. LAU Siu Ki, Kevin
Ms. NG Yi Kum
Ms. WONG Lok Lam

29 August 2023

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

As at the Latest Practicable Date, 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.

LETTER FROM THE BOARD

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 Company has decided to resume and proceed with the Proposed Spin-off under PN15 and the listing application for the Proposed A-Share Listing, which is planned to be submitted in September 2023.

As at the Latest Practicable Date, 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 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, 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 materialized, 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. 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.

An EGM will be convened and held for the Shareholders to consider and, if thought fit, 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.

The purpose of this circular is to provide you with, among other things, (i) the 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 from 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; and (v) other information as required under the Hong Kong Listing Rules. The notice of EGM is set out on pages EGM-1 to EGM-3.

LETTER FROM THE BOARD

THE PROPOSED SPIN-OFF AND THE PROPOSED A-SHARE LISTING

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 and the Proposed A-Share Listing

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.

As at the Latest Practicable Date, none of these conditions have been fulfilled. If any of these conditions is not fulfilled or waived, if applicable, the Proposed Spin-off and the Proposed A-Share Listing will not proceed and the Company will publish an announcement as soon as practicable thereafter.

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

The Directors and the directors of the Spin-off Co currently expect the gross proceeds to be raised under the Proposed A-Share Listing will be within the range of approximately RMB750 million to approximately RMB1,700 million, on the assumption that the proposed offering size represents 25% of the Spin-off Co’s enlarged issued share capital and the estimated market capitalizations of not less than approximately

LETTER FROM THE BOARD

RMB3,000 million and not more than approximately RMB6,814 million. Having consulted the PRC Sponsor and considered the Spin-off Group was loss-making in the financial year ended 31 December 2022 and is asset-light in nature, the price-to-sales (P/S) valuation metrics has been adopted to estimate the market capitalization of the Spin-off Co upon the Proposed A-Share Listing. The upper range of the estimated market capitalization of the Spin-off Co of approximately RMB6,814 million was calculated by multiplying the unaudited consolidated revenue of the Spin-off Group for the financial year ended 31 December 2022 of RMB1,063 million with the average P/S ratio of 6.41 times of five selected comparable companies. These five selected comparable companies are all A-share listed companies: four of which are Spin-off Co's industry peers that provide base station products, radio frequency products and 5G+ industrial application products, and one of which is Spin-off Co's direct competitor that provides 5G small cell base station products to mobile network operators in the PRC. The lower range of the estimated market capitalization of RMB3,000 million was chosen by reference to the minimum market capitalization requirement of RMB3 billion, which is one of the listing criteria applicable for the Proposed A-Share Listing pursuant to the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》(2020 Revision).

At this stage, the actual amount of proceeds to be raised cannot be determined as the size of the offering under the Proposed A-Share Listing (including the exact number of offer shares and the final offer price of the Spin-off Co's offering) has not been fixed yet.

Pursuant to the Securities Issuance and Underwriting Management Measures 《證券發行與承銷管理辦法》(2023 Revision) issued by the CSRC, relevant consultations and enquiries shall be made with professional and institutional investors with rich experience in investment and company valuation (including companies involved in securities, fund management, futures, trusts, insurance and finance, other qualified foreign investors and private fund managers) and other specified investors in order to determine the final offer price under the Proposed Spin-off and the Proposed A-Share Listing. In determining the offer price, the aforementioned investors should determine their price quotations under the principles of honesty, objectiveness and independence, and shall not negotiate the quotations nor deliberately provide a higher or lower quotation.

Based on the discussions between the management of the Spin-off Co and the PRC Sponsor, the number and the final offer price of new A-shares to be issued under the Proposed A-Share Listing will ultimately be determined by the Spin-off Co and the lead underwriter in accordance with relevant laws and regulations, or other requirements by the CSRC or the PRC Stock Exchange and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between the Spin-off Co and the lead underwriter. In determining the offer price of the offering under the Proposed A-Share Listing, the Spin-off Co will take into account, among other things, (i) the financial performance of the Spin-off Group as reflected its historical operating results; (ii) the business prospects and expected performance of the Spin-off Group; (iii) the capital needs of the Spin-off Group and the 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 A-share market conditions and market sentiment at the time of the Proposed A-Share Listing; (vi)

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the appropriate valuations to be determined by the Spin-off Co and the lead underwriter having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Co; and (vii) the applicable laws and regulations, including the Securities Issuance and Underwriting Management Measures (2023 Revision) and the Implementing Rules of the Shanghai Stock Exchange for the Issuance and Underwriting Business for Initial Public Offerings of Securities 《上海證券交易所首次公開發行證券發行與承銷業務實施細則》. Having considered the above, the Board is of the view that the aforementioned basis of determining the offer price of the Proposed A-Share Listing is fair and reasonable.

The Spin-off Co intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) for the development of the Spin-off Business, in the following manner:

- (i) approximately 38% will be used for a research and development project of communication base station products and industry solutions based on 5G technology, which is projected to complete in 2026;
- (ii) approximately 10% will be used for a research and development project of a new generation of multi-mode and multi-frequency remote radio unit, which is projected to complete in 2026;
- (iii) approximately 14% will be used for a research and development project of a co-constructed and shared high-performance distributed digital radio remote system for 2G/3G/4G/5G, which is projected to complete in 2026;
- (iv) approximately 8% will be used for a construction project of intelligent upgrade for the next generation of 5G+ communication products, which is projected to complete in 2025; and
- (v) approximately 30% will be used to supplement the working capital of the Spin-off Group.

The above timeline is based on current estimation by the management of the Spin-off Group and will be subject to change depending on the actual construction/upgrade progress.

Details of the Proposed Spin-off and the Proposed A-Share Listing 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.

LETTER FROM THE BOARD

Lock-up undertakings

As required by the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》 relevant to the Proposed A-Share Listing and in accordance with normal market practice, certain members of the Group (being the direct shareholder of the Spin-off Co and its parties acting in concert), Mr. Fok Tung Ling, certain senior management of the Group and the Spin-off Group and other existing shareholders of the Spin-off Co will provide lock-up undertakings in relation to shares in the Spin-off Co. As far as the Group is concerned, each of the relevant members of the Group will undertake that, amongst others,

- (a) within a period of 36 months from the date of listing of the Spin-off Co's shares (the "**Lock-up Period**"), it will not transfer or entrust others to manage the Spin-off Co's shares it has directly or indirectly held before the Proposed A-Share Listing, nor allow the Spin-off Co repurchase these shares;
- (b) if the closing prices of the Spin-off Co's A-shares are all lower than the issue price during a period of 20 consecutive trading days within the first 6 months after the date of listing of the Spin-off Co's A-shares, or the closing price at the date falling the expiry of 6 months from the date of listing (if such day is not a trading day, then immediately following trading day) the lock-up period of the Spin-off Co's A-shares directly or indirectly held before the listing by it will be automatically extended for 6 months;
- (c) if the Spin-off Co's A-shares held by it are reduced within two years after the expiry of the Lock-up Period, the disposal price shall not be lower than the issue price of the Proposed A-Share Listing; and
- (d) if the Spin-off Co does not make a profit at the time of listing, before the Spin-off Co turns profit-making, it shall not dispose of the shares of the Spin-off Co it holds before listing during the first three full financial years after the date of listing of the Spin-off Co's shares; during the fourth and fifth financial years from the date of initial listing, it shall not dispose more than 2% of the Spin-off Co's total issued shares each year; and after the Spin-off Co has become profit-making, it may dispose of the shares in the Spin-off Co held by it before listing from the following day after the publication of the annual report of that financial year and shall comply with the relevant requirements on share reduction.

Whilst the Company has no present intention to dispose of the shares in the Spin-off Co upon and immediately after the Proposed A-Share Listing, the Directors believe that, notwithstanding the lock-up requirement as mentioned above, the Proposed Spin-off will be beneficial to the Company and Shareholders in the long run as the Proposed A-Share Listing will render the Group's investment in the Spin-off Group a publicly tradable asset, as a result of which the Group will be able to trade the shares of the Spin-off Co through an open trading platform as it sees fit in the future.

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In addition, given that (i) the Spin-off Group and the Remaining Group, whether before or after the Proposed A-Share Listing, have separate and independent management teams to conduct their respective business; (ii) the Spin-off Group has already established its own financial and management information system, which is independent from that of the Remaining Group; and (iii) there is sufficient delineation in terms of business, director and management, purchase and sales function, finance and operation, between the Spin-off Group and the Remaining Group, the Directors believe that the lock-up undertakings to be provided by the undertakers are not expected to have any material adverse impact on the operations and businesses of the Remaining Group following completion of the Proposed A-Share Listing.

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 Group to achieve better delineation between the Remaining Business and the Spin-off Business.

As at the Latest Practicable Date, the Group 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.

LETTER FROM THE BOARD

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 <i>(HK\$' million)⁽¹⁾</i> (unaudited)	2022 <i>(HK\$' million)⁽²⁾</i> (unaudited)
Revenue	1,400	1,239
Profit (loss) before taxation and extraordinary items ⁽³⁾	10	(10)
Profit (loss) after taxation and extraordinary items ⁽³⁾	4	(12)

Notes:

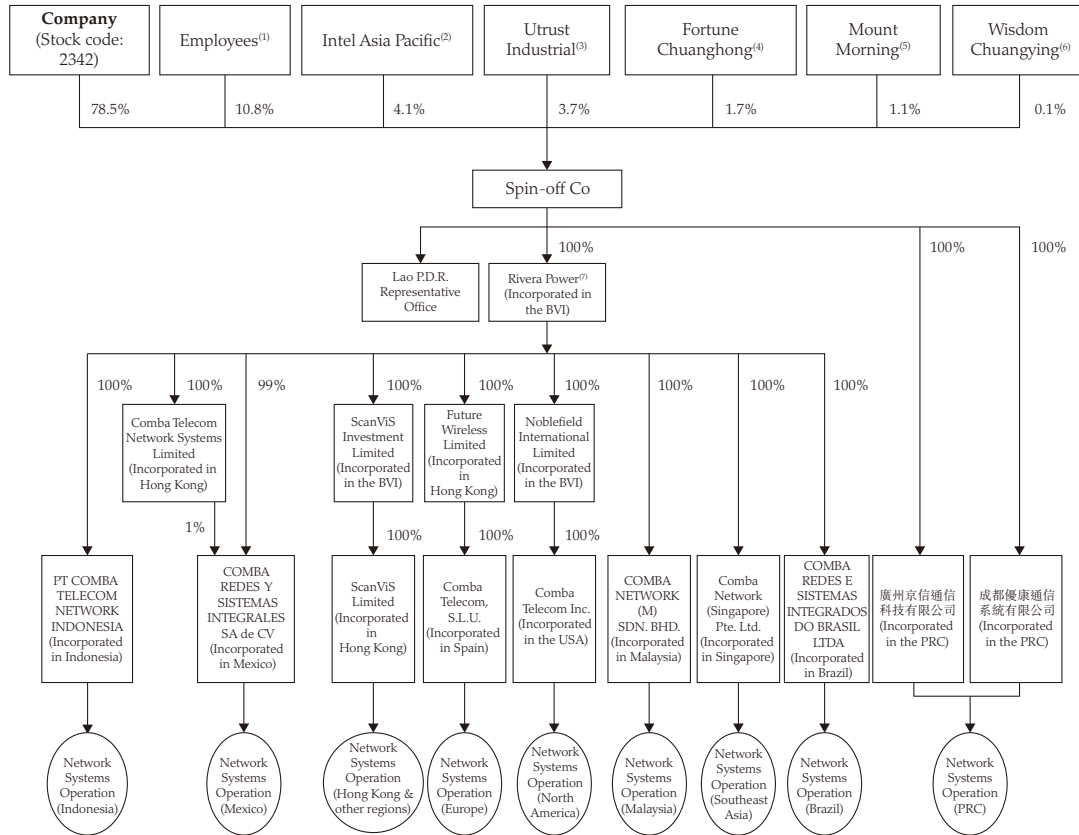
- (1) The exchange rate adopted for conversion of RMB to HKD for the 2021 financial year was based on the average exchange rate of RMB1 to HKD1.2047.
- (2) The exchange rate adopted for conversion of RMB to HKD for the 2022 financial year was based on the average exchange rate of RMB1 to HKD1.1656.
- (3) The unaudited consolidated financial statements of the Spin-off Group contained no extraordinary items for the financial years ended 31 December 2021 and 2022.

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).

LETTER FROM THE BOARD

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 Latest Practicable Date:



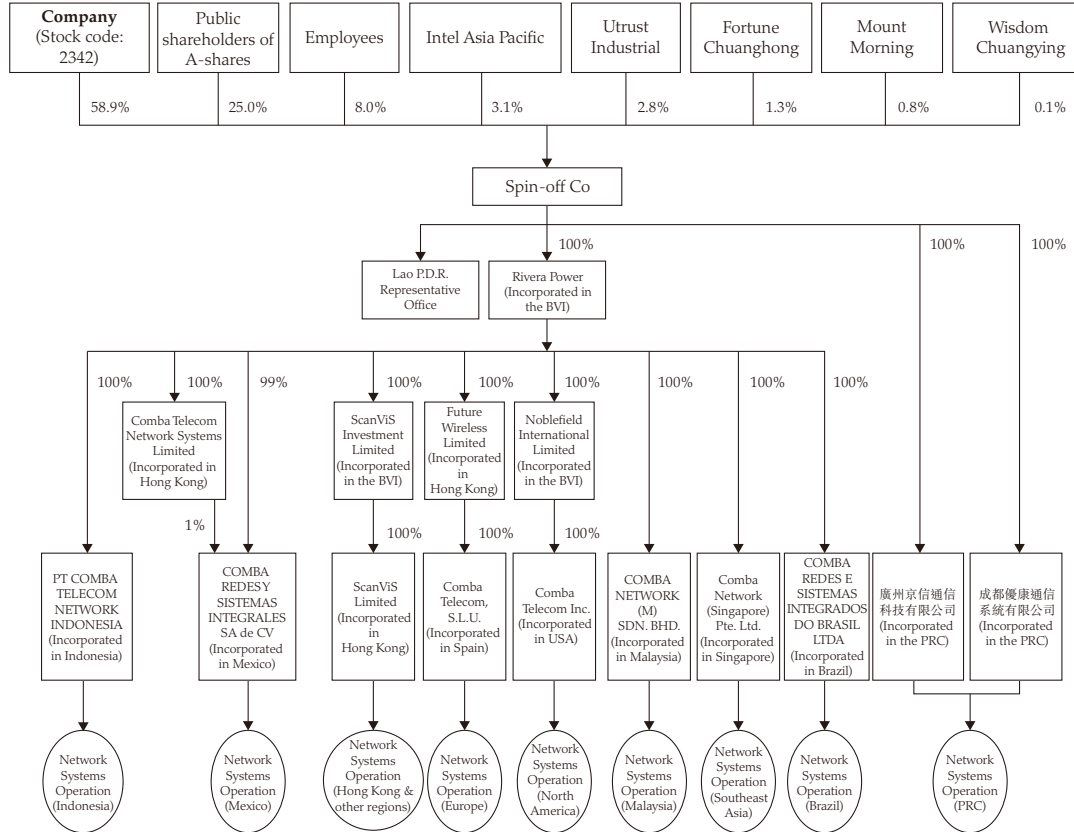
LETTER FROM THE BOARD

Notes:

- (1) As of the Latest Practicable Date, the employees of the Group 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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)).
- (2) As of the Latest Practicable Date, 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 (Limited Partnership)* (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 Latest Practicable Date, Utrust Industrial held approximately 3.7% equity interest in Spin-off Co.
- (4) 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)) (“**Fortune Chuanghong**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, Fortune Chuanghong held approximately 1.7% equity interest in Spin-off Co.
- (5) 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)) (“**Mount Morning**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, Mount Morning held approximately 1.1% equity interest in Spin-off Co.
- (6) 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)) (“**Wisdom Chuangying**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, 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.

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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.

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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 (the “**Antenna and Subsystems Business**”); (ii) the 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, upon completion of the Proposed Spin-off and Proposed A-Share Listing, (i) the Remaining Group will retain a sufficient level of operations and sufficient assets for the Company to maintain its listing status; and (ii) the Spin-off Business and the Remaining Business will be distinct and independent from each other, and thus will satisfy the requirements under PN15.

Set out below are key areas of delineation between the Remaining Group and the Spin-off Group in terms of business delineation, management independence and financial independence.

(i) *Clear delineation of business and products*

- *Different industry:* The Spin-off Business is primarily involved in the operation of network systems which includes research and development, design, sale of network system products and solutions and service ancillary to products sold, whereas the Remaining Business is primarily involved in the antenna and subsystems operation.
- *Difference in applications and functions of the products:* Products under the Spin-off Business are usually tailored to realize specific needs of different industries, including the mobile network industry and others, whereas products under the Remaining Business primarily serves the telecommunication industry as antennas are usually operated by mobile network providers, internet service providers and telecommunication equipment manufacturers.
- *Difference in technologies required to operate the products:* Products under the Spin-off Business primarily focus on the distribution of frequencies and tailoring the frequencies for the customers’ specific needs, whereas products under the Remaining Business primarily focus on different transmission methods over a long distance, such as transferring and converting high frequency current and electromagnetic spectrums from the antenna mounted on towers or located on top of buildings.
- *Difference in target industries:* The Spin-off Business primarily targets the industrial internet industry, the energy industry, the chemical industry,

LETTER FROM THE BOARD

the transportation industry and the healthcare industry, whereas the Remaining Business primarily focuses on the base station antenna market, telecommunication equipment manufacturers and integrators, as well as internet service providers. Due to the oligopolistic nature of the telecommunications industry and the wide spectrum of telecommunication services and products offered by major mobile network operators, both the Spin-off Business and the Remaining Business will have major mobile network operators as their overlapping customers following the Proposed Spin-off. However, as the Spin-off Group and the Remaining Group provide distinctive products, the overlapping customers do not cause any hindrance in the delineation of business between the Spin-off Group and the Remaining Group.

(ii) Management independence

Following completion of the Proposed Spin-off and the Proposed A-Share Listing, the Spin-off Group will be managed separately and independently from the Remaining Group. The Spin-off Group will have nine directors at Spin-off Co level and three senior management, the Remaining Group will have nine directors (comprising five executive Directors, one non-executive Director and three independent non-executive Directors at the Company level) and four senior management. Amongst the directors and senior management of Spin-off Co and the Company following the Proposed Spin-off, there will be five overlapping directors and no overlapping senior management, which contributes to just over half of the nine directors for Spin-off Co and for the Company. As the Spin-off Co will remain a subsidiary of the Company after the Proposed Spin-off, it is ordinary and in the best interest of the Shareholders for the Group to retain control over the board of the Spin-off Co.

(iii) Financial independence

Prior to the Proposed Spin-off, it is natural and accords with normal commercial practice that banks request guarantee from the Company when extending credit facilities to the Spin-off Co. In addition, some banking facilities were granted to the Group as a whole, which included the Spin-off Group. As a matter of fact the amount of banking facilities where the Group has acted as guarantor for the Spin-off Group's banking facilities is not material relative to the Spin-off Group's total asset. It is envisaged that following the Proposed Spin-off, the Spin-off Co as a listed company on its own will be able to tap on the capital market and obtaining credit facilities without the need of corporate guarantee from the Company to meet its funding needs.

(iv) Operational independence

The Spin-off Group has set up its own administrative, manufacturing and research and development capabilities with a team of independent staff, and its own organizational structure with independent function to adapt to the Spin-off Group's development demands, each with specific areas of responsibility carrying out essential operational functions without the Group's support.

LETTER FROM THE BOARD

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 Latest Practicable Date 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.

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(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.

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(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.

Having considered the above, the Directors are of the view that the Proposed Spin-off is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 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 region who live and work in the PRC. Based on the shareholders register of the Company as at the Latest Practicable Date, 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

LETTER FROM THE BOARD

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 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 PN15.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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 materialized, 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.

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Based on the upper end of the currently expected offer size of approximately RMB1,700 million 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.

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 materialize. Accordingly, Shareholders and potential investors of the Company should be aware that the Company does not guarantee that the Proposed Spin-off will materialize nor the timing thereof, and are advised to exercise caution when dealing in the securities of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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 respect of the Proposed Spin-off. The letters from the Independent Board Committee and GM Capital are set out on page 25 and pages 26 to 54 of this circular respectively.

EGM

A notice convening the EGM to be held at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong, on Thursday, 14 September 2023 at 11:00 a.m. (Hong Kong time) is set out on pages EGM-1 to EGM-3 of this circular. Ordinary resolution will be proposed at the EGM to approve, among other things, the Proposed Spin-off. As at the Latest Practicable Date, none of the Shareholders and their respective associates has any material interest in the Proposed Spin-off and therefore no Shareholder will be required to abstain from voting on the resolution in respect of the Proposed Spin-off at the EGM.

For the purpose of determination of the Shareholders registered under the Company's register of members in Hong Kong and register of members in Singapore for submission of proxy forms to the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited or Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. respectively, any removal of the Shares between the Company's register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:00 p.m. (both Hong Kong and Singapore times) on Tuesday, 29 August 2023.

LETTER FROM THE BOARD

For Hong Kong Shareholders

The record date for determination of entitlements of the Hong Kong Shareholders to attend and vote at the EGM will be on Friday, 8 September 2023. Hong Kong Shareholders whose names appear on the register of members of the Company in Hong Kong on Friday, 8 September 2023 will be entitled to attend and vote at the EGM. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 8 September 2023.

A proxy form for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time appointed for the holding of any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish. Such proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the website of the SGX-ST at www.sgx.com and the website of the Company at www.comba-telecom.com.

For Singapore Shareholders

In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 for registration no later than 5:00 p.m. (Singapore time) on Friday, 8 September 2023.

Depositors who wish to attend and vote at the EGM, and whose names are shown in the records of CDP as at a time not earlier than 48 hours prior to the time of the EGM (i.e. on Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time)) or any adjourned meeting supplied by CDP to the Company, may attend as CDP's proxies. Such Depositors who are individuals and who wish to attend the EGM in person need not take any further action and can attend and vote at the EGM without the lodgement of any proxy form. Such Depositors who are unable to attend personally and wish to appoint nominees to attend and vote on their behalf, and such Depositors who are not individuals, will find enclosed a depositor proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon and deposit the same at the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd., at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or by email to shareregistry@incorp.asia, as soon as possible and in any event no later than Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time appointed for the holding of any adjourned meeting. The completion and return of a depositor proxy form by a

LETTER FROM THE BOARD

Depositor who is an individual does not preclude him/her from attending and voting in person at the EGM in place of his/her nominee if he/she finds he/she is able to do so. Such depositor proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk, the website of the SGX-ST at www.sgx.com and the website of the Company at www.comba-telecom.com.

All the resolution(s) proposed to be approved at the EGM will be taken by poll in accordance with rule 13.39(4) of the Hong Kong Listing Rules. An announcement on the poll results of the EGM will be made by the Company after the EGM in compliance with the Hong Kong Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors having taken into account of the advice of GM Capital) consider that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee, the letter from GM Capital, additional information set out in the appendices to this circular and the notice of the EGM.

Yours faithfully,
For and on behalf of the Board of
Comba Telecom Systems Holdings Limited
Fok Tung Ling
Chairman

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)

29 August 2023

To the Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 29 August 2023 (the “Circular”) of which this letter forms part. Capitalized terms used herein have the same meanings as defined in the Circular unless otherwise specified.

We have been appointed as members of the Independent Board Committee to advise the Shareholders as to whether the Proposed Spin-off is fair and reasonable and in the interests of the Company and its Shareholders as a whole and as to the voting action that should be taken.

We wish to draw your attention to the letter from the Board and the letter of advice from GM Capital, the independent financial adviser appointed to advise you and us in respect of the Proposed Spin-off, as set out in the Circular.

Having taken into account the advice given by GM Capital (together with the principal factors and reasons considered in arriving at such advice), we are of the opinion that the terms of the Proposed Spin-off are fair and reasonable so far as the Company and the Shareholders are concerned, and that the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

We therefore recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposed Spin-off.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Lau Siu Ki, Kevin
*Independent Non-executive
Director*

Ms. Ng Yi Kum
*Independent Non-executive
Director*

Ms. Wong Lok Lam
*Independent Non-executive
Director*

LETTER FROM GM CAPITAL

The following is the full text of the letter from GM Capital, the independent financial adviser to the Independent Board Committee and the Shareholders setting out its advice in respect of the terms of the Proposed Spin-off, which has been prepared for the purpose of inclusion in this circular.



中毅資本有限公司
Grand Moore Capital Limited

Unit 1401, 14/F,
Lippo Sun Plaza,
28 Canton Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

29 August 2023

*To the Independent Board Committee
and the Shareholders of
Comba Telecom Systems Holdings Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off, the details of which are set forth in the “Letter from the Board” (the “**Board Letter**”) contained in the circular issued by the Company to the Shareholders dated 29 August 2023 (the “**Circular**”), of which this letter forms apart. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As at the Latest Practicable Date, 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 Company has decided to resume and proceed with the Proposed Spin-off under PN15 and the listing application for the Proposed A-Share Listing, which is planned to be submitted in September 2023.

LETTER FROM GM CAPITAL

THE INDEPENDENT BOARD COMMITTEE

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. We, Grand Moore Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off.

In the past two years, we have not acted in any financial adviser role to the Company. Save for the appointment as the independent financial adviser, there was no other relationship and/or engagement between the Company and us in the past two years.

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the independent financial adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid or to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the independent financial adviser in respect of the Proposed Spin-off pursuant to Rule 13.84 of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Group's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful

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consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules. We, as the independent financial adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Proposed Spin-off, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Spin-off. The Company has been separately advised by its own professional advisers with respect to the Proposed Spin-off and the preparation of the Circular (other than this letter).

We have assumed that the Proposed Spin-off will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Proposed Spin-off, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Proposed Spin-off. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Proposed Spin-off, we have taken into account the following principal factors and reasons:

1. Background information and financial overview of the Group

As stated in the Board Letter, 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). Certain summary financial information of the Group as extracted from the 2022 Annual Report for the years ended 31 December 2021 and 2022 (“FY2021” and “FY2022” respectively) is set out below:

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	6,364,677	5,869,666
Gross profit	1,873,531	1,422,831
Profit/(loss) attributable to owners of the parent	190,237	(592,567)

The Group’s consolidated revenue increased from approximately HK\$5,869,666,000 for FY2021 to approximately HK\$6,364,677,000 for FY2022, representing an increase of approximately HK\$495,011,000 or 8.4%. As per the 2022 Annual Report, the increase of revenue was primarily attributable to the Group’s success in tenders for centralized procurement of various antenna products in Mainland China and the completion of international tender projects of antenna products as scheduled, which contributed to a significant growth in the number of orders, which achieved record high, of base station antenna products, as compared to that in FY2021. The Group’s gross profit increased from approximately HK\$1,422,831,000 for FY2021 to approximately HK\$1,873,531,000 for FY2022, representing an increase of approximately HK\$450,700,000 or 31.7%. As stated in the 2022 Annual Report, the Group’s gross profit was mainly benefitted from the optimization of revenue structure of the Group’s products during FY2022 with

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increased revenue from core products yielding higher gross profit and hence achieving economies of scale, coupled with the reduction in costs of production as a result of the optimization of the production system through research and development in design. The Group recorded a profit attributable to owners of the parent of approximately HK\$190,237,000 for FY2022, as compared to a loss attributable to owners of the parent of approximately HK\$592,567,000 for FY2021. Such turnaround in profit attributable to owners of the parent was mainly due to the significant increases in revenue and gross profit of the Group in FY2022, as well as the reduction in the operating expenses ratio resulting from effective cost and expenses control measures implemented by the Group, which has substantially increased the Group's overall efficiency.

	As at 31 December 2022 HK\$'000 (audited)	As at 31 December 2021 HK\$'000 (audited)
Cash and cash equivalents	1,531,669	1,652,228
Current assets	7,617,095	8,217,952
Net current assets	2,100,202	2,256,324
Total assets	10,575,862	11,512,579
Current liabilities	5,516,893	5,961,628
Total liabilities	6,611,136	7,328,762
Equity attributable to owners of the parent	3,728,305	3,774,716

The Group's cash and cash equivalents amounted to approximately HK\$1,531,669,000 as at 31 December 2022, representing a decrease of approximately HK\$120,559,000 or 7.3%, as compared to that of approximately HK\$1,652,228,000 as at 31 December 2021. The Group recorded net current assets of approximately HK\$2,100,202,000 as at 31 December 2022, representing a decrease of approximately HK\$156,122,000 or 6.9%, as compared to that of approximately HK\$2,256,324,000 as at 31 December 2021. Such decrease was mainly attributable to the combined effects from a decrease in current assets of approximately HK\$600,857,000 or 7.3% and a decrease in current liabilities of approximately HK\$444,735,000 or 7.5% as at 31 December 2022, as compared to that of 31 December 2021. We note from the 2022 Annual Report that the decrease in current assets is mainly attributable to the decreases in trade receivables, prepayments, other receivables and other assets, and cash and cash equivalents. Meanwhile, the decrease in current liabilities is mainly due to the decrease in trade and bills payables, and other payables and accruals. The improvement in liquidity and solvency gives rise to a slight increase in current ratio from approximately 1.378 times as at 31 December 2021 to approximately 1.381 times as at 31 December 2022.

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The Group's total liabilities decreased by approximately HK\$717,626,000 or 9.8%, from approximately HK\$7,328,762,000 as at 31 December 2021 to approximately HK\$6,611,136,000 as at 31 December 2022. Such decrease was mainly attributable to the aforementioned factors related to the decrease in current liabilities and the decrease in interest-bearing bank borrowings (non-current portion). As at 31 December 2022, interest-bearing bank borrowings of the Group amounted to approximately HK\$1,341,993,000, of which the interest-bearing bank borrowings (current portion) amounted to approximately HK\$751,993,000 and interest-bearing bank borrowings (non-current portion) amounted to approximately HK\$590,000,000. Apart from the interest-bearing bank borrowings, the Group also had trade and bills payable of approximately HK\$4,051,703,000, other payables and accruals of approximately HK\$571,506,000, and redeemable preferred shares in a subsidiary of approximately HK\$274,028,000 as at 31 December 2022.

The Group recorded equity attributable to owners of the parent of approximately HK\$3,728,305,000 as at 31 December 2022, which represents a decrease of approximately HK\$46,411,000 or 1.2%, from equity attributable to owners of the parent of approximately HK\$3,774,716,000 as at 31 December 2021. This was mainly attributable to decreases in the Group's property, plant and equipment, trade receivables, prepayments, other receivables and other assets, intangible assets, and cash and cash equivalents as at 31 December 2022.

2. Background information and financial overview of the Spin-off Group

It is stated in the Board Letter that 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 Group to achieve better delineation between the Remaining Business and the Spin-off Business. As at the Latest Practicable Date, the Group 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 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. Certain summary financial information of the Spin-off Group as

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extracted from the Board Letter and advised by the Management for FY2021 and FY2022 is set out below:

	For the year ended	
	31 December	
	2022	2021
	<i>HK\$' million⁽¹⁾</i>	<i>HK\$' million⁽²⁾</i>
	(unaudited)	(unaudited)
Revenue	1,239	1,400
Profit/(loss) before taxation and extraordinary items ⁽³⁾	(10)	10
Profit/(loss) after taxation and extraordinary items ⁽³⁾	(12)	4

Notes:

- (1) The exchange rate adopted for conversion of RMB to HKD for FY2021 was based on the average exchange rate of RMB1 to HKD1.2047.
- (2) The exchange rate adopted for conversion of RMB to HKD for FY2022 was based on the average exchange rate of RMB1 to HKD1.1656.
- (3) The audited consolidated financial statements of the Spin-off Group contained no extraordinary items for the financial years ended 31 December 2021 and 2022.

The Spin-off Group's revenue decreased from approximately HK\$1,400 million for FY2021 to approximately HK\$1,239 million for FY2022, representing a decrease of approximately HK\$161 million or 11.5%. As discussed with Management, the decrease of revenue was primarily attributable to decrease in sales generated from the outstanding orders of antenna business which does not belong to main business of the Spin-off Group in FY2022, as compared to that of FY2021. The Spin-off Group recorded a loss before taxation and extraordinary items of approximately HK\$10 million for FY2022, as compared to a profit before taxation and extraordinary items of approximately HK\$10 million for FY2021. Such turnaround in profit before taxation and extraordinary items was mainly due to aforementioned decrease in sales generated from the outstanding orders of antenna business. The Spin-off Group recorded a loss after taxation and extraordinary items of approximately HK\$12 million for FY2022, as compared to a profit after taxation and extraordinary items of approximately HK\$4 million for FY2021. Such turnaround in profit after taxation and extraordinary items was mainly due to aforementioned decrease in sales generated from the outstanding orders of antenna business.

	As at	As at
	31 December	31 December
	2022	2021
	<i>HK\$' million⁽⁴⁾</i>	<i>HK\$' million⁽⁵⁾</i>
	(unaudited)	(unaudited)
Net asset value	333.3	359.2

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Notes:

- (4) The exchange rate adopted for conversion of RMB to HKD for FY2021 was based on the period end exchange rate of RMB1 to HKD1.22574.
- (5) The exchange rate adopted for conversion of RMB to HKD for FY2022 was based on the period end exchange rate of RMB1 to HKD1.13181.

The Spin-off Group recorded a consolidated net asset value of approximately HK\$333.3 million for FY2022, representing a decrease of approximately HK\$25.9 million or 7.2%, as compared to a consolidated net asset value of approximately HK\$359.2 million for FY2021. Such decrease in consolidated net asset value was mainly due to the net loss in FY2022 and the impact of foreign currency statement translation differences.

3. The Proposed Spin-off and the Proposed A-Share Listing

The Board Letter further states that 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 and the Proposed A-Share Listing

As stated in the Board Letter, 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

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- (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.

As at the Latest Practicable Date, none of these conditions have been fulfilled. If any of these conditions is not fulfilled or waived, if applicable, the Proposed Spin-off and the Proposed A-Share Listing will not proceed and the Company will publish an announcement as soon as practicable thereafter.

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

It is stated in the Board Letter that the Directors and the directors of the Spin-off Co currently expect the gross proceeds to be raised under the Proposed A-Share Listing will be within the range of approximately RMB750 million to approximately RMB1,700 million, on the assumption that the proposed offering size represents 25% of the Spin-off Co's enlarged issued share capital and the estimated market capitalizations of not less than approximately RMB3,000 million and not more than approximately RMB6,814 million. Having consulted the PRC Sponsor and considered the Spin-off Group was loss-making in FY2022 and is asset-light in nature, the price-to-sales (P/S) valuation metrics has been adopted to estimate the market capitalization of the Spin-off Co upon the Proposed A-Share Listing. The upper range of the estimated market capitalization of the Spin-off Co of approximately RMB6,814 million was calculated by multiplying the unaudited consolidated revenue of the Spin-off Group for FY2022 of RMB1,063 million with the average P/S ratio of 6.41 times of five selected comparable companies. These five selected comparable companies are all A-share listed companies: four of which are Spin-off Co's industry peers that provide base station products, radio frequency products and 5G+ industrial application products, and one of which is Spin-off Co's direct competitor that provides 5G small cell base station products to mobile network operators in the PRC. The lower range of the estimated market capitalization of RMB3,000 million was chosen by reference to the minimum market capitalization requirement of RMB3 billion, which is one of the listing criteria applicable for the Proposed A-Share Listing pursuant to the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》(2020 Revision).

At this stage, the actual amount of proceeds to be raised cannot be determined as the size of the offering under the Proposed A-Share Listing (including the exact number of offer shares and the final offer price of the Spin-off Co's offering) has not been fixed yet.

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Pursuant to the Securities Issuance and Underwriting Management Measures 《證券發行與承銷管理辦法》 (2023 Revision) issued by the CSRC, relevant consultations and enquiries shall be made with professional and institutional investors with rich experience in investment and company valuation (including companies involved in securities, fund management, futures, trusts, insurance and finance, other qualified foreign investors and private fund managers) and other specified investors in order to determine the final offer price under the Proposed Spin-off and the Proposed A-Share Listing. In determining the offer price, the aforementioned investors should determine their price quotations under the principles of honesty, objectiveness and independence, and shall not negotiate the quotations nor deliberately provide a higher or lower quotation.

Based on the discussions between the management of the Spin-off Co and the PRC Sponsor, the number and the final offer price of new A-shares to be issued under the Proposed A-Share Listing will ultimately be determined by the Spin-off Co and the lead underwriter in accordance with relevant laws and regulations, or other requirements by the CSRC or the PRC Stock Exchange and will be determined with reference to the then responses to the price consultation and other method(s) to be agreed between the Spin-off Co and the lead underwriter. In determining the offer price of the offering under the Proposed A-Share Listing, the Spin-off Co will take into account, among other things, (i) the financial performance of the Spin-off Group as reflected its historical operating results; (ii) the business prospects and expected performance of the Spin-off Group; (iii) the capital needs of the Spin-off Group and the 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 A-share market conditions and market sentiment at the time of the Proposed A-Share Listing; (vi) the appropriate valuations to be determined by the Spin-off Co and the lead underwriter having considered those of comparable companies listed in the PRC in the same industry as the Spin-off Co; and (vii) the applicable laws and regulations, including the Securities Issuance and Underwriting Management Measures (2023 Revision) and the Implementing Rules of the Shanghai Stock Exchange for the Issuance and Underwriting Business for Initial Public Offerings of Securities 《上海證券交易所首次公開發行證券發行與承銷業務實施細則》. Having considered the above, the Board is of the view that the aforementioned basis of determining the offer price of the Proposed A-Share Listing is fair and reasonable.

The Spin-off Co intends to apply the net proceeds from the Proposed A-Share Listing (after deducting related expenses) for the development of the Spin-off Business, in the following manner:

- (i) approximately 38% will be used for a research and development project of communication base station products and industry solutions based on 5G technology, which is projected to complete in 2026;

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- (ii) approximately 10% will be used for a research and development project of a new generation of multi-mode and multi-frequency remote radio unit, which is projected to complete in 2026;
- (iii) approximately 14% will be used for a research and development project of a co-constructed and shared high-performance distributed digital radio remote system for 2G/3G/4G/5G, which is projected to complete in 2026;
- (iv) approximately 8% will be used for a construction project of intelligent upgrade for the next generation of 5G+ communication products, which is projected to complete in 2025; and
- (v) approximately 30% will be used to supplement the working capital of the Spin-off Group.

The above timeline is based on current estimation by the management of the Spin-off Group and will be subject to change depending on the actual construction/upgrade progress.

Details of the Proposed Spin-off and the Proposed A-Share Listing 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.

Lock-up undertakings

It is stated in the Board Letter that, as required by the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》 relevant to the Proposed A-Share Listing and in accordance with normal market practice, certain members of the Group (being the direct shareholder of the Spin-off Co and its parties acting in concert), Mr. Fok Tung Ling, certain senior management of the Group and the Spin-off Group and other existing

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shareholders of the Spin-off Co will provide lock-up undertakings in relation to shares in the Spin-off Co. As far as the Group is concerned, each of the relevant members of the Group will undertake that, amongst others,

- (a) within a period of 36 months from the date of listing of the Spin-off Co's shares (the "**Lock-up Period**"), it will not transfer or entrust others to manage the Spin-off Co's shares it has directly or indirectly held before the Proposed A-Share Listing, nor allow the Spin-off Co repurchase these shares;
- (b) if the closing prices of the Spin-off Co's A-shares are all lower than the issue price during a period of 20 consecutive trading days within the first 6 months after the date of listing of the Spin-off Co's A-shares, or the closing price at the date falling the expiry of 6 months from the date of listing (if such day is not a trading day, then immediately following trading day) the lock-up period of the Spin-off Co's A shares directly or indirectly held before the listing by it will be automatically extended for 6 months;
- (c) if the Spin-off Co's A-shares held by it are reduced within two years after the expiry of the Lock-up Period, the disposal price shall not be lower than the issue price of the Proposed A-Share Listing; and
- (d) if the Spin-off Co does not make a profit at the time of listing, before the Spin-off Co turns profit-making, it shall not dispose of the shares of the Spin-off Co it holds before listing during the first three full financial years after the date of listing of the Spin-off Co's shares; during the fourth and fifth financial years from the date of initial listing, it shall not dispose more than 2% of the Spin-off Co's total issued shares each year; and after the Spin-off Co has become profit-making, it may dispose of the shares in the Spin-off Co held by it before listing from the following day after the publication of the annual report of that financial year and shall comply with the relevant requirements on share reduction.

Whilst the Company has no present intention to dispose of the shares in the Spin-off Co upon and immediately after the Proposed A-Share Listing, the Directors believe that, notwithstanding the lock-up requirement as mentioned above, the Proposed Spin-off will be beneficial to the Company and Shareholders in the long run as the Proposed A-Share Listing will render the Group's investment in the Spin-off Group a publicly tradable asset, as a result of which the Group will be able to trade the shares of the Spin-off Co through an open trading platform as it sees fit in the future.

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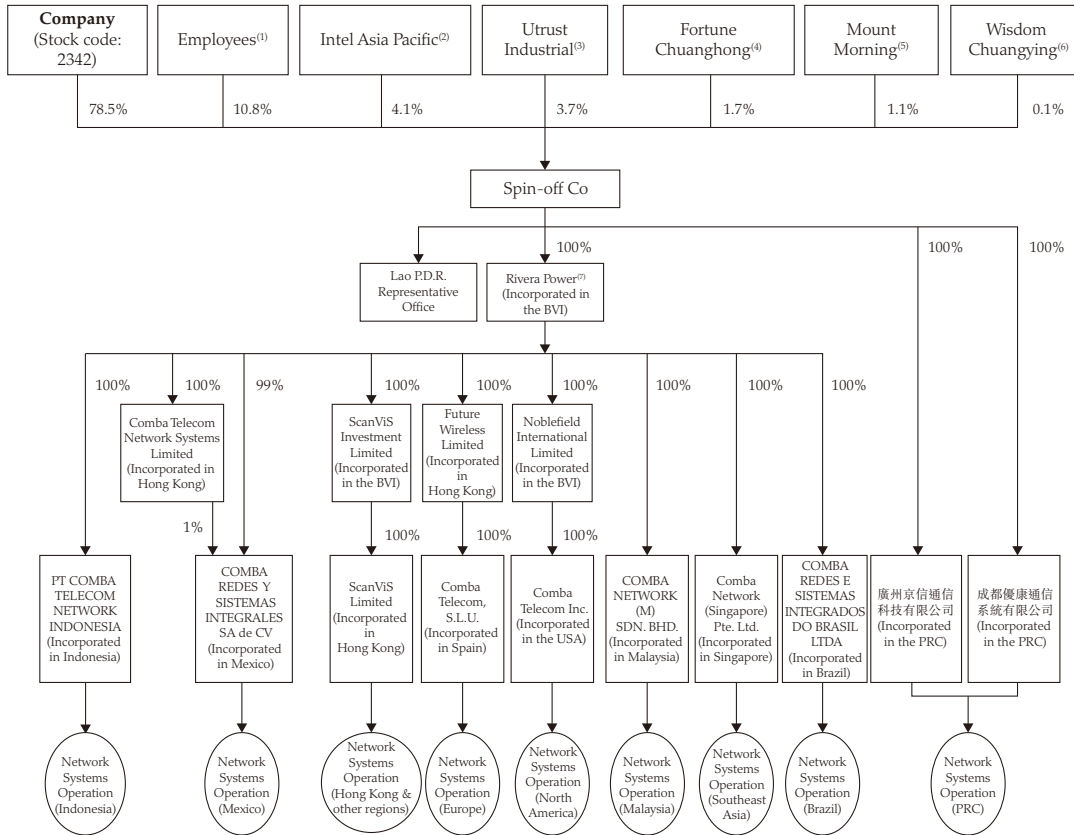
In addition, given that (i) the Spin-off Group and the Remaining Group, whether before or after the Proposed A-Share Listing, have separate and independent management teams to conduct their respective business; (ii) the Spin-off Group has already established its own financial and management information system, which is independent from that of the Remaining Group; and (iii) there is sufficient delineation in terms of business, director and management, purchase and sales function, finance and operation, between the Spin-off Group and the Remaining Group, the Directors believe that the lock-up undertakings to be provided by the undertakers are not expected to have any material adverse impact on the operations and businesses of the Remaining Group following completion of the Proposed A-Share Listing.

We understand from the Directors that the Company has no present intention to dispose of the shares in the Spin-off Co upon and immediately after the Proposed Spin-off and the Proposed A-Share Listing. As such, we concur with the Directors that notwithstanding the lock-up requirement as mentioned above, the Proposed Spin-off will be beneficial to the Company and Shareholders in the long run as the Proposed A-Share Listing will render the Group's investment in the Spin-off Co a publicly tradable asset, as a result of which the Group will be able to trade the shares of the Spin-off Co through an open trading platform as it sees fit in the future. In addition, given the aforementioned independence and delineation of (i) management, (ii) financial and management information system as well as (iii) business, director and management, purchase and sales function, finance and operation between the Spin-off Group and the Remaining Group, we concur with the Directors that the lock-up undertakings to be provided by the undertakers are not expected to have any material adverse impact on the operations and businesses of the Remaining Group following completion of the Proposed A-Share Listing.

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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 Latest Practicable Date as extracted from the Board Letter:



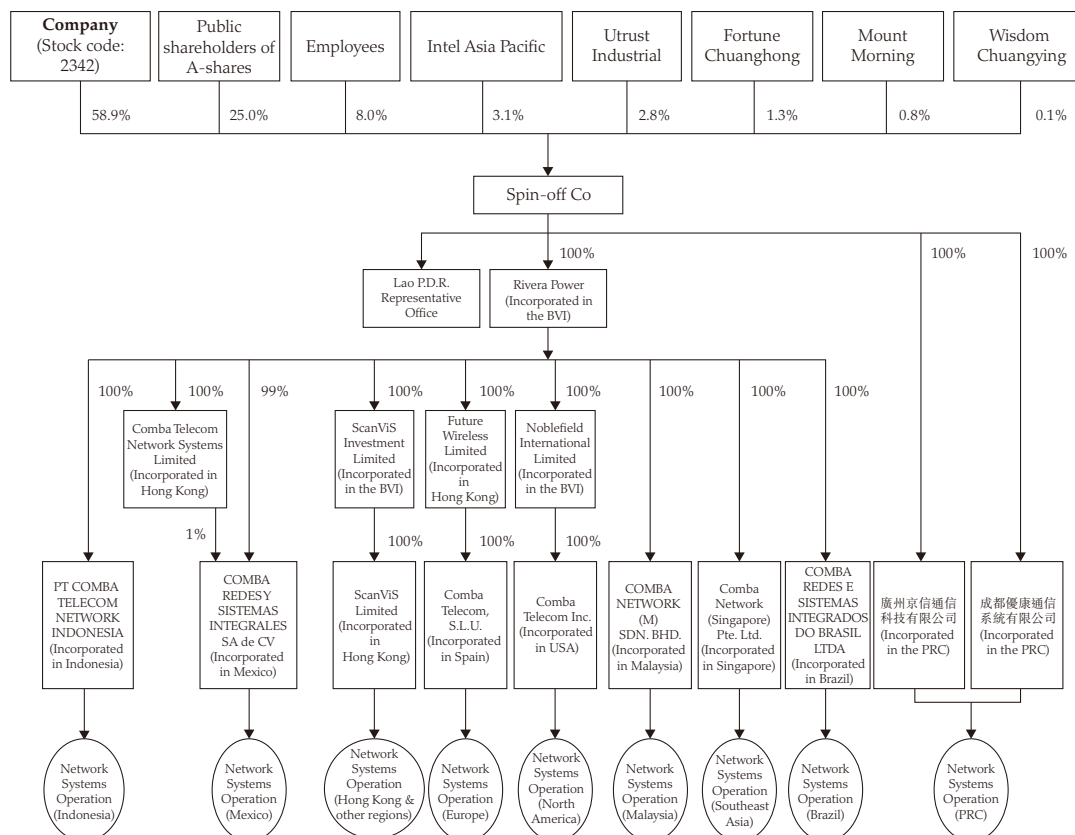
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Notes:

- (1) As of the Latest Practicable Date, the employees of the Group 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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (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 (Limited Partnership)* (鑫瀚通十二號企業管理(珠海)合夥企業(有限合夥)).
- (2) As of the Latest Practicable Date, 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 (Limited Partnership)* (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 Latest Practicable Date, Utrust Industrial held approximately 3.7% equity interest in Spin-off Co.
- (4) 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)) (“**Fortune Chuanghong**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, Fortune Chuanghong held approximately 1.7% equity interest in Spin-off Co.
- (5) 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)) (“**Mount Morning**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, Mount Morning held approximately 1.1% equity interest in Spin-off Co.
- (6) 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)) (“**Wisdom Chuangying**”) is a limited partnership established under the laws of the PRC. As of the Latest Practicable Date, 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.

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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

The Board Letter states that 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 (the “**Antenna and Subsystems Business**”); (ii) the 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.

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The Directors believe that, upon completion of the Proposed Spin-off and Proposed A-Share Listing, (i) the Remaining Group will retain a sufficient level of operations and sufficient assets for the Company to maintain its listing status; and (ii) the Spin-off Business and the Remaining Business will be distinct and independent from each other, and thus will satisfy the requirements under PN15.

Set out below are key areas of delineation between the Remaining Group and the Spin-off Group in terms of business delineation, management independence and financial independence.

(i) *Clear delineation of business and products*

- *Different industry:* The Spin-off Business is primarily involved in the operation of network systems which includes research and development, design, sale of network system products and solutions and service ancillary to products sold, whereas the Remaining Business is primarily involved in the antenna and subsystems operation.
- *Difference in applications and functions of the products:* Products under the Spin-off Business are usually tailored to realize specific needs of different industries, including the mobile network industry and others, whereas products under the Remaining Business primarily serves the telecommunication industry as antennas are usually operated by mobile network providers, internet service providers and telecommunication equipment manufacturers.
- *Difference in technologies required to operate the products:* Products under the Spin-off Business primarily focus on the distribution of frequencies and tailoring the frequencies for the customers' specific needs, whereas products under the Remaining Business primarily focus on different transmission methods over a long distance, such as transferring and converting high frequency current and electromagnetic spectrums from the antenna mounted on towers or located on top of buildings.
- *Difference in target industries:* The Spin-off Business primarily targets the industrial internet industry, the energy industry, the chemical industry, the transportation industry and the healthcare industry, whereas the Remaining Business primarily focuses on the base station antenna market, telecommunication equipment manufacturers and integrators, as well as internet service providers. Due to the oligopolistic nature of the telecommunications industry and the wide spectrum of telecommunication services and products offered by major mobile network operators, both the Spin-off Business and the Remaining

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Business will have major mobile network operators as their overlapping customers following the Proposed Spin-off. However, as the Spin-off Group and the Remaining Group provide distinctive products, the overlapping customers do not cause any hindrance in the delineation of business between the Spin-off Group and the Remaining Group.

(ii) Management independence

Following completion of the Proposed Spin-off and the Proposed A-Share Listing, the Spin-off Group will be managed separately and independently from the Remaining Group. The Spin-off Group will have nine directors at Spin-off Co level and three senior management, the Remaining Group will have nine directors (comprising five executive Directors, one non-executive Director and three independent non-executive Directors at the Company level) and four senior management. Amongst the directors and senior management of Spin-off Co and the Company following the Proposed Spin-off, there will be five overlapping directors and no overlapping senior management, which contributes to just over half of the nine directors for Spin-off Co and for the Company. As the Spin-off Co will remain a subsidiary of the Company after the Proposed Spin-off, it is ordinary and in the best interest of the Shareholders for the Group to retain control over the board of the Spin-off Co.

(iii) Financial independence

Prior to the Proposed Spin-off, it is natural and accords with normal commercial practice that banks request guarantee from the Company when extending credit facilities to the Spin-off Co. In addition, some banking facilities were granted to the Group as a whole, which included the Spin-off Group. As a matter of fact the amount of banking facilities where the Group has acted as guarantor for the Spin-off Group's banking facilities is not material relative to the Spin-off Group's total asset. It is envisaged that following the Proposed Spin-off, the Spin-off Co as a listed company on its own will be able to tap on the capital market and obtaining credit facilities without the need of corporate guarantee from the Company to meet its funding needs.

(iv) Operational independence

The Spin-off Group has set up its own administrative, manufacturing and research and development capabilities with a team of independent staff, and its own organizational structure with independent function to adapt to the Spin-off Group's development demands, each with specific areas of responsibility carrying out essential operational functions without the Group's support.

4. Reasons for and benefits of the Proposed Spin-Off

As stated in the Board Letter, 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

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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.

After we have considered the following factors:

- (i) the Proposed Spin-off will 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) The Spin-off Business itself has grown to a sufficient size to warrant a separate listing, and the Proposed Spin-off substantively separates the Spin-off Business from the Remaining Businesses, 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 benefits of unlocking and realising the value of the Spin-off Business will be further illustrated in the section headed "5. Comparable Companies" below;
- (iii) the Company will continue to be the beneficial owner of a majority of shares in the Spin-off Co upon completion of the

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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;

- (iv) the cash proceeds from the Proposed Spin-off will provide additional funding source for the future development of the Spin-off Group;
- (v) 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;
- (vi) upon the completion of the Proposed Spin-off, the Spin-off Co will become a listed company with its A-shares listed on the PRC Stock Exchange with fund-raising capacity as a listed company on its own; and
- (vii) the Implied P/S Ratio (Low) and the Implied P/B Ratio (Low) are considered favorable to the Group as compared to the P/S ratios and P/B ratios of the Comparable Companies as discussed in the section headed "5. Comparable Companies" below,

we are of the view the Proposed Spin-off is in the interests of the Company and the Shareholders as a whole.

5. Comparable Companies

In order to provide the Shareholders with a general reference regarding the valuation of companies engaging in a business similar to that of the Spin-off Co, we performed our independent analysis on the valuation of the deemed disposal as a result of the Proposed Spin-off. We noted that the trading multiples analysis such as price-to-sales ("P/S") ratio, price-to-book ("P/B") ratio and price-to-earnings ratio ("P/E") ratio, are commonly adopted valuation methods in the market. As mentioned in the section headed "2. Background information and financial overview of the Spin-off Group" above, the Spin-off Group was loss-making in FY2022 and accordingly, the P/E ratio is deemed inappropriate to be adopted for our analysis. As a result, we consider that the P/S ratio and P/B ratio are appropriate benchmarks for our trading multiples analysis.

Based on (i) the Spin-off Co's enlarged issued share capital and the estimated market capitalisations of not less than approximately RMB3,000 million and not more than approximately RMB6,814 million, as mentioned in the Board Letter, implying that the mid-point of the enlarged issued share capital and the estimated market capitalisations to be approximately RMB4,907 million; and (ii) the Spin-off Co's consolidated revenue for FY2022 of approximately RMB1,063.3 million, the implied P/S ratio of the Spin-off Co will be within the range of approximately 2.82 times (the "**Implied P/S Ratio (Low)**") and 6.41 times (the "**Implied P/S Ratio (High)**"), with a mid-point of P/S ratio of 4.61 times (the "**Implied P/S Ratio (Mid)**").

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Furthermore, based on (i) the abovementioned Spin-off Co's enlarged issued share capital and the estimated market capitalisations of not less than approximately RMB3,000 million and not more than approximately RMB6,814 million, and the implication of the mid-point of the enlarged issued share capital and the estimated market capitalisations to be approximately RMB4,907 million; and (ii) the Spin-off Co's consolidated net asset value for FY2022 of approximately RMB294.5 million, the implied P/B ratio of the Spin-off Co will be within the range of approximately 10.19 times (the "**Implied P/B Ratio (Low)**") and 23.14 times (the "**Implied P/B Ratio (High)**"), with a mid-point of P/B ratio of 16.66 times (the "**Implied P/B Ratio (Mid)**").

We note from the Board Letter that, in order to assess the upper range of the estimate market capitalisations of the Spin-off Group upon the Proposed A-Share Listing, P/S ratios of five A-share listed companies (the "**Market Capitalisation Comparable Companies**") have been considered, four of which are Spin-off Co's industry peers that provide base station products, radio frequency products and 5G+ industrial application products. In order for the aforementioned P/S ratio to reflect foreseeable market competition, one of the five comparable companies is a direct competitor of the Spin-off Co and it provides 5G small cell base station products to mobile network operators in the PRC. Looking at a wider extent, we have conducted a search on Bloomberg for other companies which are listed on the stock exchanges in both Hong Kong and the PRC and are principally engaged in similar industry as the Spin-off Co (i.e. engaged in manufacturing and sale of network and telecommunication products) and compiled an exhaustive list of the following 9 comparable companies (the "**Comparable Companies**") meeting our aforementioned selection criteria as identified by us based on our best information, knowledge and belief. The following table sets out the comparison of P/S ratios and P/B ratios of the Comparable Companies, the Spin-off Co and the Company:

Company name (stock code)	Principal business (Note 1)	Market Capitalisation (RMB million) (as at the date of the announcement of the Proposed Spin-Off, i.e. 8 August 2023)	P/S ratio (Note 2)	P/B ratio (Note 2)
CETC Potevio Science & Technology Co., Ltd (002544 CH Equity)	Develops, designs, and sells electronic and information products	16,043.32	2.23	4.20
CICT Mobile Communication Technology Co., Ltd (688387 CH Equity)	Manufactures and distributes telecommunications equipment	25,127.81	3.11	3.64

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Company name (stock code)	Principal business <i>(Note 1)</i>	Market Capitalisation (RMB million) (as at the date of the announcement of the Proposed Spin-Off, i.e. 8 August 2023)	P/S ratio <i>(Note 2)</i>	P/B ratio <i>(Note 2)</i>
CIG Shanghai Co., Ltd (603083 CH Equity)	Develops, manufactures, and sells telecom broadband terminals, wireless network equipment, and smart home gateway products	14,651.94	3.18	7.02
Raisecom Technology Co., Ltd (603803 CH Equity)	Manufactures and distributes telecommunication equipment	3,511.55	1.69	1.76
Shenzhen Kexin Communication Technologies Co., Ltd (300565 CH Equity)	Designs, produces, and sells network cabinet, wireless, and transmission network equipment	3,471.52	4.01	6.92
Sichuan Tianyi Comheart Telecom Co., Ltd (300504 CH Equity)	Researches, develops, produces, and sells network connection and protection equipment, mobile communication network optimization systems, and broadband network terminal solutions	4,928.01	1.64	2.13
ZTE Corporation (000063 CH Equity) (763 HK Equity)	Operates carrier network business	169,347.06	1.43	2.90
Jushri Technologies, Inc (300762 CH Equity) (the "Outlier")	Researches and manufactures broadband mobile communication equipment	9,215.79	19.99 <i>(Note 5)</i>	3.43 <i>(Note 5)</i>
Ruijie Networks Co., Ltd (301165 CH Equity)	Develops network software products	29,357.95	2.30	6.84
		Minimum	1.43	1.76
		Maximum	19.99	7.02
		Average	4.40	4.31
		Median	2.30	3.64

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Company name (stock code)	Principal business <i>(Note 1)</i>	Market Capitalisation (RMB million) (as at the date of the announcement of the Proposed Spin-Off, i.e. 8 August 2023)	P/S ratio <i>(Note 2)</i>	P/B ratio <i>(Note 2)</i>
		Minimum (excluding the Outlier)	1.43	1.76
		Maximum (excluding the Outlier)	4.01	7.02
		Average (excluding the Outlier)	2.45	4.42
		Median (excluding the Outlier)	2.27	3.92
The Spin-off Co	Research and development, design, sale of network system products and solutions and service ancillary to products sold such as commissioning and after-sale services	Implied P/S Ratio (Low) and Implied P/B Ratio (Low)	2.82 <i>(Note 3)</i>	10.19 <i>(Note 4)</i>
		Implied P/S Ratio (Mid) and Implied P/B Ratio (Mid)	4.61 <i>(Note 3)</i>	16.66 <i>(Note 4)</i>
		Implied P/S Ratio (High) and Implied P/B Ratio (High)	6.41 <i>(Note 3)</i>	23.14 <i>(Note 4)</i>
The Company	Research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services	3,194.03	0.55	0.93

Source: Bloomberg

Notes:

1. The principal activities of the Comparable Companies are sourced from Bloomberg.
2. P/S ratios and P/B ratios of the Comparable Companies and the Company are calculated from data extracted from Bloomberg.
3. The implied P/S ratios of the Spin-off Co is based on the estimated market value of the Spin-off Co's enlarged issued share capital upon the Proposed A-Share Listing and the Spin-off Co's consolidated revenue for FY2022.
4. The implied P/B ratios of the Spin-off Co is based on the estimated market value of the Spin-off Co's enlarged issued share capital upon the Proposed A-Share Listing and the Spin-off Co's consolidated net asset value for FY2022.

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5. The P/S ratio of Jushri Technologies, Inc of approximately 19.99 times is almost 5 times of the P/S Ratio of Shenzhen Kexin Communication Technologies Co., Ltd of approximately 4.01 times (which has the second highest P/S ratio among the Comparable Companies) and is exceptionally high as compared with those of the other Comparable Companies, and thus is considered as an outlier.
6. The Spin-off Group was loss-making in FY2022 and accordingly, the P/E ratio is deemed inappropriate to be adopted for our analysis.
7. The above Comparable Companies cover all of the Market Capitalisation Comparable Companies.

As depicted from the above table, the P/S ratios of the Comparable Companies ranged from approximately 1.43 times to approximately 19.99 times, with an average of approximately 4.40 times and a median of approximately 2.30 times.

Pursuant to one of the listing criteria applicable for the Proposed A-Share Listing pursuant to the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange 《上海證券交易所科創板股票上市規則》(2020 Revision), there is a minimum market capitalization requirement of RMB3,000 million, meaning that in the event the Proposed A-Share Listing is materialized, the lowest possible market capitalization of the Spin-off Group upon the Proposed A-Share Listing amounts to RMB3,000 million. On the other hand, on the basis that the Spin-off Co's consolidated revenue of approximately RMB1,063.3 million and consolidated net assets value of approximately RMB294.5 million for FY2022 are adopted, the lowest possible P/S ratio and P/B ratio of the Spin-off Co upon the Proposed A-Share Listing are 2.82 and 10.19 respectively.

We noted that even having the Outlier with exceptionally high P/S Ratio of approximately 19.9 times included in the Comparable Companies, the Implied P/S Ratio (Low) of approximately 2.82 times, being calculated based on the lowest end of the Spin-off Co's enlarged issued share capital upon the Proposed A-Share Listing and the estimated market capitalisations, is within the range of the P/S ratios of the Comparable Companies and is higher than the median P/S ratio of the Comparable Companies of approximately 2.30 times, which means that the lowest end of the estimated market capitalization of the Spin-off Group being released upon the Proposed Spin-off is already higher than derived by the median P/S ratio of the Comparable Companies, and is considered fair and reasonable to the Group. Concurrently, the Implied P/S Ratio (Mid) of approximately 4.61 times is higher than the average and median P/S ratio of the Comparable Companies of approximately 4.40 times and 2.30 times, respectively, which means that the mid-point of the estimated market capitalization of the Spin-off Group being released upon the Proposed Spin-off is already higher than derived by the median and average P/S ratios of the Comparable Companies, and is considered favorable to the Group.

In addition, if the Outlier with exceptionally high P/S Ratio of approximately 19.9 times is excluded from the Comparable Companies, we noted that the Implied

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P/S Ratio (Low) of approximately 2.82 times, being calculated based on the lowest end of the Spin-off Co's enlarged issued share capital upon the Proposed A-Share Listing and the estimated market capitalisations, is within the range of the P/S ratios of the Comparable Companies (excluding the Outlier) and is already higher than the average and median P/S ratio of the Comparable Companies (excluding the Outlier) of approximately 2.45 times and 2.27 times, respectively, which means that the lowest end of the estimated market capitalization of the Spin-off Group being released upon the Proposed Spin-off is already higher than that derived by the median and average P/S ratios of the Comparable Companies, and is considered favorable to the Group.

We also noted that the Implied P/B Ratio (Low) of approximately 10.19 times, being calculated based on the lowest end of the Spin-off Co's enlarged issued share capital upon the Proposed A-Share Listing and the estimated market capitalisations, is already higher than the maximum P/B ratio of the Comparable Companies of approximately 7.02 times, which means that the lowest end of the estimated market capitalization of the Spin-off Group being released upon the Proposed Spin-off is already higher than that derived by the maximum P/B ratio of the Comparable Companies, and is considered favorable to the Group.

Furthermore, as Implied P/S Ratio (Low) of approximately 2.82 times and the Implied P/B Ratio (Low) of approximately 10.19 times are much higher than the Company's own P/S ratio and P/B ratio of approximately 0.55 times and 0.93 times, respectively, the Proposed Spin-off allows the Spin-off Business to be appraised separately and offers the Company and the Shareholders an opportunity to realise their fair value of investment in the Spin-off Co and is likely to unlock the value of the Spin-off Co and attain higher market valuation.

Taking into account the principal factors as discussed above, we consider that the Proposed Spin-off allows the Spin-off Business to be appraised separately and the estimated market capitalization of the Spin-off Group being released upon the Proposed Spin-off is favorable compared to that derived by the P/S and P/B ratios of the Comparable Companies, the terms of the Proposed Spin-off are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

6. Financial effects of the Proposed Spin-off on the Group

It is stated in the Board Letter that 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

With reference to the Board Letter, 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

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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 Latest Practicable Date to approximately 58.9% immediately after the completion of the Proposed A-Share Listing.

Assets and liabilities

With reference to the Board Letter, 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.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Proposed Spin-off.

7. Waiver in respect of assured entitlement

As stated in the Board Letter, 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 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

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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 region who live and work in the PRC. Based on the shareholders register of the Company as at the Latest Practicable Date, 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.

LETTER FROM GM CAPITAL

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 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 PN15.

Taking into consideration the legal restrictions under the applicable PRC laws in providing the existing Shareholders with an assured entitlement referred to above and the Shareholders will continue to enjoy the contribution from the Spin-off Co as well as the benefits of upon the completion of the Proposed Spin-off through their holdings in the Shares, we concur with the view of the Board 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.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons discussed above, we are of the view that the Proposed Spin-off, although not in the ordinary and usual course of business, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Therefore, we would recommend (i) the Independent Board Committee to advise the Shareholders; and (ii) the Shareholders, to vote in favor of the ordinary resolution(s) to approve the Proposed Spin-off at the EGM.

Yours faithfully,

For and on behalf of

Grand Moore Capital Limited

Kevin So

Florence Ng

*Managing Director –
Investment Banking*

Associate Director

Department

Note:

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 20 years of experience in the corporate finance industry in Hong Kong.

Ms. Florence Ng is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Ms. Ng has over 10 years of experience in the corporate finance industry in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for each of the three years ended 31 December 2020, 2021 and 2022 of the Company together with relevant notes thereto are disclosed in the following documents which have been published on both the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.comba-telecom.com). Please refer to the hyperlinks as stated below:

- pages 80 to 183 of the annual report of the Company for the year ended 31 December 2020 published on 27 April 2021 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700515.pdf>)
- pages 76 to 181 of the annual report of the Company for the year ended 31 December 2021 published on 26 April 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601041.pdf>)
- pages 84 to 189 of the annual report of the Company for the year ended 31 December 2022 published on 25 April 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0425/2023042501505.pdf>)

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had aggregate outstanding indebtedness of approximately HK\$1,057.2 million, comprising aggregate guaranteed bank loans of approximately HK\$968.0 million and aggregate lease liability of approximately HK\$89.2 million as detailed below:

	<i>HK\$'million</i>
Current	
Bank loans, guaranteed	968.0
Lease liabilities	49.6
	<hr/>
	1,017.6
	<hr/>
Non-current	
Bank loans, guaranteed	–
Lease liabilities	39.6
	<hr/>
	39.6
	<hr/>
Total	1,057.2
	<hr/> <hr/>

As at 30 June 2023, the Group's banking facilities were supported by corporate guarantees from the Company and certain of its subsidiaries.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the normal course of business, at the close of business on 30 June 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

The Directors are not aware of any material adverse change in the Group's indebtedness position and contingent liabilities since 30 June 2023.

3. WORKING CAPITAL

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's internal resources, available credit facilities and the estimated net proceeds from the Proposed A-Share Listing, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, there was no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a global leading wireless solutions provider with its own research and development facilities, manufacturing base and sales and service teams, and offers a comprehensive suite of products and services including antenna and subsystems, network products, services and wireless transmission to its global customers. The Group has two reportable operating segments including (i) wireless telecommunications network system equipment and services; and (ii) operator telecommunication services.

The stage of development of wireless networks in different parts of the world is very uneven, and countries seeking to upgrade their wireless networks to 5G are also expected to drive significant demand for network equipment and antenna feeder products in the next few years. Looking ahead, the Group expect to ride on its global network to increase its sales in other regions, as more countries advance their 5G development towards more extensive coverage and multiple commercial uses.

In 2023, the three major telecom operators in Mainland China are actively pushing forward the strategy of shifting the focus of the development of fundamental networks from extensive coverage to in-depth coverage. Looking ahead, the Group will continue to focus on the provision of scenario-based and highly cost effective solutions as before. The Group believe that the development of in-depth coverage by the operators will bring about more business opportunities for the Group, enabling the Group to cater to the demands of different customers and firmly seize the opportunities arising from the development of 5G networks by the operators.

The Group also expects to ride on the growth in consumer and infrastructure spending in emerging markets, especially those with relatively young demographics but relatively low 5G network coverage. The Group expects to ride on the favourable demographics and relatively low 5G network coverage of such emerging markets to grow our sales and market share in these markets.

In addition, an increased emphasis in low carbon environmental protection by corporations and government around the world, as well as the society at large, has prompted mobile communication network equipment users to upgrade their equipment and this is expected to drive demand for the Group's green base station antennas and small cells.

The Group believe that through its leading position in the field of antennas and small cells, its first-mover advantage in Open RAN, and its focus on green antennas and emphasis on low carbon manufacturing processes, the Group is able to build on its industry-leading innovation capabilities, its extensive global network, and customer base to further grow its market presence globally.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' and chief executive's interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the total number of issued Shares was 2,765,752,668 Shares.

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Hong Kong Listed Issuers (the "Model Code") contained in the Hong Kong Listing Rules, were as follows:

Long positions in Shares

Name of Directors	Notes	Number of Shares held, capacity and nature of interest			Percentage of the Company's issued share capital (Approximately)
		Directly beneficially owned	Through controlled corporation	Total	
Mr. Fok Tung Ling	(1)	10,364,339	678,115,129	688,479,468	24.89%
Mr. Zhang Yue Jun	(2)	-	228,225,410	228,225,410	8.25%
Mr. Xu Huijun		11,000,000	-	11,000,000	0.39%
Mr. Wu Tielong		2,342,049	-	2,342,049	0.08%
Mr. Lau Siu Ki, Kevin		310,000	-	310,000	0.01%

Long positions in shares options of the Company

Name of Directors	Number of share options directly beneficially owned
Mr. Xu Huijun	18,734,000
Mr. Chang Fei Fu	7,000,000
Ms. Huo Xinru	7,000,000
Mr. Wu Tielong	5,000,000
Mr. Lau Siu Ki, Kevin	200,000
Ms. Ng Yi Kum	200,000

Notes:

- (1) These 678,115,129 Shares are beneficially owned by Prime Choice Investments Limited, which is wholly owned by Mr. Fok Tung Ling. As such, Mr. Fok Tung Ling is deemed or taken to be interested in the 678,115,129 Shares owned by Prime Choice Investments Limited under the SFO.
- (2) These 228,225,410 Shares are beneficially owned by Wise Logic Investments Limited, which is wholly owned by Mr. Zhang Yue Jun. As such, Mr. Zhang Yue Jun is deemed or taken to be interested in the 228,225,410 Shares owned by Wise Logic Investments Limited under the SFO.

Mr. Xu Huijun, Mr. Chang Fei Fu and Ms. Huo Xinru beneficially holding approximately 32.12%, 10.90% and 10.90% equity interest respectively in Xin Han Tong No.2 Enterprise Management (Zhuhai) Partnership (Limited Partnership)* (鑫瀚通二號企業管理(珠海)合夥企業(有限合夥)), and Mr. Wu Tielong beneficially holding approximately 17.68% equity interest in Xin Han Tong No.3 Enterprise Management (Zhuhai) Partnership (Limited Partnership)* (鑫瀚通三號企業管理(珠海)合夥企業(有限合夥)), both of which are subsidiaries of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) **Substantial shareholders' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executives of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group were as follows:

Long positions in Shares

Name	Notes	Capacity and nature of Interest	Number of Shares held	Percentage of the Company's issued share capital (Approximately)
Prime Choice Investment Limited		Beneficial owner	678,115,129	24.51%
Madam Chen Jing Na	(1)	Interest of spouse	688,479,468	24.89%
Wise Logic Investment Limited		Beneficial owner	228,225,410	8.25%
Madam Cai Hui Ni	(2)	Interest of spouse	228,225,410	8.25%

Notes:

- (1) Madam Chen Jing Na is the spouse of Mr. Fok Tung Ling and is deemed to be interested in the 688,479,468 Shares in which Mr. Fok Tung Ling is interested or deemed to be interested under the SFO, including the 678,115,129 Shares beneficially owned by Prime Choice Investments Limited.
- (2) Madam Cai Hui Ni is the spouse of Mr. Zhang Yue Jun and is deemed to be interested in the 228,225,410 Shares in which Mr. Zhang Yue Jun is interested or deemed to be interested under the SFO, including the 228,225,410 Shares beneficially owned by Wise Logic Investments Limited.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the issued voting shares of any member of the Group.

3. DIRECTOR'S INTERESTS**(i) Interests in assets and contracts of the Group**

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

(ii) Service contracts

As at Latest Practicable Date, none of the Directors has entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

(iii) Interests in competing businesses

As at the Latest Practicable Date, none of the Directors or any of their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was pending or threatened against the Company or any of its subsidiaries.

5. MATERIAL CONTRACT

No material contract (not being contracts entered into in the ordinary course of business) has been entered into by the Group within the two years preceding the date of this circular.

6. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letter or advices contained in this circular:

Name	Qualification
GM Capital	a licensed corporation permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Shareholders as to the Proposed Spin-off

As at the Latest Practicable Date, GM Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which have been, since 31 December 2022 (the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

GM Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they are included.

7. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Chan Siu Man. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants.
- (ii) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (iii) The head office and principal place of business of the Company in Hong Kong is at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong.
- (iv) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (v) The Singapore share transfer agent of the Company is In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

- (vi) This circular is prepared in both English and Chinese. In the case of any inconsistency, the English text of this circular shall prevail over the Chinese text.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be (i) published and displayed on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.comba-telecom.com) for a period of 14 days from the date of this circular (both days inclusive) and (ii) published on the website of the SGX-ST (www.sgx.com):

- (i) the letter from GM Capital, the text of which is set out on pages 26 to 54 of this circular; and
- (ii) the written consent of GM Capital as referred to in the paragraph headed “6. Expert and consent” in this appendix.

NOTICE OF EGM

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Comba Telecom Systems Holdings Limited (the “**Company**”) will be held at Unit 611, Building 8W, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong on Thursday, 14 September 2023 at 11:00 a.m. (Hong Kong time), (or, in case tropical cyclone warning signal No. 8 or above is hoisted, or a black rainstorm warning signal or “extreme conditions caused by super typhoons” announced by the Hong Kong Government is in force in Hong Kong at any time between 9:00 a.m. (Hong Kong time) and 11:00 a.m. (Hong Kong time) on that day, at the same time and place on Friday, 15 September 2023) to transact the following businesses and for the purposes of considering and, if thought fit, passing the following resolution of the Company with or without amendments:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the spin-off of 京信網絡系統股份有限公司 (Comba Network Systems Company Limited) (the “**Spin-off Co**”), currently an indirect non-wholly owned subsidiary of the Company, and a separate listing of the ordinary shares of the Spin-off Co on the Shanghai Stock Exchange in the People’s Republic of China (the “**Proposed Spin-off**”) be and is hereby approved; and
- (b) any director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign or execute all such documents and to enter into all such transactions and arrangements as such director may in his/her opinion consider necessary, appropriate or desirable for the purpose of implementing and giving effect to the Proposed Spin-off.”

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

Hong Kong, 29 August 2023

NOTICE OF EGM

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of
business in Hong Kong:*
Unit 611
Building 8W
Hong Kong Science Park
Pak Shek Kok
New Territories
Hong Kong

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the extraordinary general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares (the “**Shares**”) of the Company in respect of which each such proxy is so appointed.
2. For Hong Kong shareholders (the “**Shareholder(s)**”) of the Company, in order to be valid, the proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at 17M/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time appointed for holding of any adjourned meeting. Completion and return of a proxy form will not preclude a Shareholder from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he/she so wish.
3. For Singapore Shareholders, in order to be valid, the depositor proxy form must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the Company’s Singapore Share Transfer Agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or by email to shareregistry@incorp.asia, no later than Tuesday, 12 September 2023 at 11:00 a.m. (Hong Kong time) or not less than 48 hours before the time appointed for holding of any adjourned meeting. Completion and return of a proxy form will not preclude a Shareholder from attending in person and voting at the extraordinary general meeting or any adjournment thereof, should he/she so wish.
4. For the purpose of determination of the Shareholders registered under the Company’s register of members in Hong Kong and register of members in Singapore for submission of proxy forms to the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited or Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. respectively, any removal of the Shares between the Company’s register of members in Hong Kong and register of members in Singapore has to be made by the Shareholders no later than 4:00 p.m. (both Hong Kong and Singapore times) on Tuesday, 29 August 2023.

For Hong Kong Shareholders, the record date for determination of entitlements to attend and vote at the extraordinary general meeting will be on Friday, 8 September 2023. Hong Kong Shareholders whose names appear on the register of members of the Company in Hong Kong on Friday, 8 September 2023 will be entitled to attend and vote at the extraordinary general meeting. In order to qualify for attending and voting at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 8 September 2023.

NOTICE OF EGM

For Singapore Shareholders, in order to qualify for attending and voting at the extraordinary general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Singapore share transfer agent, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 for registration no later than 5:00 p.m. (Singapore time) on Friday, 8 September 2023.

5. In case tropical cyclone warning signal no. 8 or above is hoisted, or a black rainstorm warning signal or "extreme conditions after super typhoons" announced by the Hong Kong Government is in force in Hong Kong at any time between 9:00 a.m. (Hong Kong time) and 11:00 a.m. (Hong Kong time) on the date of the extraordinary general meeting, the meeting will be automatically postponed and, by virtue of this notice, be held at the same time and place on Friday, 15 September 2023 instead.

The extraordinary general meeting will be held as scheduled when an amber or a red rainstorm warning signal or a tropical cyclone warning signal no. 3 or below is in force. Shareholders should make their own decision whether they would attend the extraordinary general meeting under bad weather conditions. If they choose to do so, they are advised to exercise due care and caution.

6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.