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# **Comba**

## **COMBA TELECOM SYSTEMS HOLDINGS LIMITED**

### **京信通信系統控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2342)**

**(I) CONNECTED TRANSACTION –  
TRANSFER OF LIMITED PARTNERSHIP INTERESTS FROM  
THE G GENERAL PARTNER TO CERTAIN EXISTING G LIMITED  
PARTNERS AND ADDITIONAL G LIMITED PARTNERS;  
AND  
(II) DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

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

Pursuant to Transfer Agreements entered into between (i) the G General Partner and (ii) certain Existing G Limited Partners and the Additional G Limited Partners on 12 April 2021, the G General Partner, as general partner of the Existing G Partnerships, has transferred its limited partnership interests in the Existing G Partnerships in the aggregate amount of RMB14 million to certain Existing G Limited Partners and Additional G Limited Partners, as limited partners of the Existing G Partnerships, including RMB13.16 million to certain Existing G Limited Partners and RMB0.84 million to the Additional G Limited Partners.

Upon the completion of the Transfer of LP Interests, the Existing G Partnerships will be holding approximately 4.75% of the enlarged equity interest of Comba Network (assuming the relevant capital increase to be made by the New G Partnerships have been completed simultaneously).

**ESTABLISHMENT OF NEW G PARTNERSHIPS**

On 19 March 2021, Comba Consulting, as general partner, entered into the New G Limited Partnership Agreements with the New G Limited Partners, as limited partners, respectively, in relation to the establishment and management of the four New G Partnerships. Each of the New G Partnerships is a limited partnership established in the PRC on 23 March 2021 under the relevant New G Limited Partnership Agreements and the Scheme Rules and will be accounted for as a subsidiary of the Company and its financial results will be consolidated into the accounts of the Company.

Pursuant to the Capital Increase Agreement, the New G Partnerships will subscribe for and Comba Network will issue certain new shares at the total consideration of RMB20 million, including RMB19.88 million contributed by the New G Limited Partners as limited partners, and RMB0.12 million contributed by Comba Consulting as general partner, respectively. The New G Partnerships shall transfer the total consideration of RMB20 million to an account designated by Comba Network before 16 April 2021, upon which Comba Network shall complete the relevant registration procedures for the capital increase. Upon completion of the aforesaid capital increase, the New G Partnerships will be holding approximately 1.75% of the enlarged equity interest of Comba Network.

### **LISTING RULES IMPLICATIONS**

Mr. WU Tielong, limited partner of the XHT No.3 Partnership, is a connected person of the Company (at the issuer level) and he, together with other connected persons of the Company (at the issuer level) who are limited partners of the Connected Partnerships, will hold more than 10% of the partnership interests in each Connected Partnership (a subsidiary of the Company). Therefore, each Connected Partnership is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and hence a connected person of the Company. The Transfer of LP Interests to Mr. WU Tielong would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Transfer of LP Interests, the Connected Partnerships will continue to be interested in approximately 3.76% of the equity interest in Comba Network at the consideration of RMB43.07 million. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the transactions of the Connected Partnerships pursuant to the Scheme is more than 0.1% but less than 5% (on an aggregate basis), the transactions of the Connected Partnerships pursuant to the Scheme are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

Further to the Share Acquisitions, upon completion of all the New Share Acquisitions, the Company's interest in Comba Network (through the Company's subsidiaries) would decrease from approximately 87.74% to approximately 85.00%. Therefore, the New Share Acquisitions would constitute a deemed disposal of the Company under the Listing Rules. Comba Network will remain as a subsidiary of the Company upon completion of the New Share Acquisitions.

As the highest applicable percentage ratio (as defined under the Listing Rules) under the Listing Rules in respect of the Share Acquisitions and New Share Acquisitions (on an aggregate basis) is less than 5%, the Share Acquisitions and New Share Acquisitions (on an aggregate basis) do not constitute notifiable transaction of the Company and is therefore not subject to the notification, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules. Relevant information in relation thereto is disclosed by the Company on a voluntary basis.

References are made to the announcements of Comba Telecom Systems Holdings Limited (the “**Company**”) dated 10 June 2020 and 24 June 2020 (collectively, the “**Announcements**”) in relation to, inter alia, the establishment and management of the G Partnerships and the deemed disposal of equity interest in Comba Network Systems Company Limited (京信網絡系統股份有限公司) (formerly known as Comba Telecom Systems (China) Limited\* (京信通信系統(中國)有限公司)) (“**Comba Network**”, and together with its subsidiaries, collectively, “**Comba Network Group**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

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

Pursuant to partnership interest transfer agreements (the “**Transfer Agreements**”) entered into between (i) the G General Partner and (ii) certain G Limited Partners which consist of a Director of the Company and 100 employees and 5 directors in the Comba Network Group (the “**Existing G Limited Partners**”) and additional G Limited Partners which consist of 10 employees in the Comba Network Group (the “**Additional G Limited Partners**”) on 12 April 2021, the G General Partner, as general partner of the G Partnerships (the “**Existing G Partnerships**”), has transferred its limited partnership interests in the Existing G Partnerships in the aggregate amount of RMB14 million to certain Existing G Limited Partners and Additional G Limited Partners, as limited partners of the Existing G Partnerships, including RMB13.16 million to certain Existing G Limited Partners and RMB0.84 million to the Additional G Limited Partners (the “**Transfer of LP Interests**”).

The consideration for the Transfer of LP Interests in the aggregate amount of RMB14 million will be satisfied and paid by the Existing G Limited Partners and Additional G Limited Partners in cash on or before 30 April 2021.

Upon the completion of the Transfer of LP Interests, the Existing G Partnerships will be holding approximately 4.75% of the enlarged equity interest of Comba Network (assuming the relevant capital increase to be made by the New G Partnerships (as defined below) have been completed simultaneously).

The table below sets out the Incentive Shares awarded to the Director (who is a connected person at the issuer level) and directors in the subsidiaries of the Company (who are connected persons at the subsidiary level) in the Existing G Partnerships upon completion of the Transfer of LP Interests.

Name	Partnerships	Additional capital commitment (RMB)	Total capital commitment (RMB)	% as to respective Partnerships in relation to additional capital commitment upon completion of the Transfer of LP Interests (approximate %)	% as to respective Partnerships in relation to total capital commitment upon completion of the Transfer of LP Interests (approximate %)
<b>Director of the Company</b>					
WU Tielong (吳鐵龍)	XHT No.3 Partnership	600,000	3,400,000	3.12	17.68
<b>Directors in the subsidiaries of the Company</b>					
LI Yuwen (李宇雯)	XHT No.3 Partnership	500,000	2,900,000	2.60	15.09
QIU Caixia (邱彩霞)	XHT No.3 Partnership	400,000	1,600,000	2.08	8.32
YI Xiaowen (易曉文)	XHT No.3 Partnership	100,000	650,000	0.52	3.38
SHEN Chunbo (沈春波) <sup>1</sup>	XHT No.5 Partnership	100,000	300,000	0.84	2.52
SUN Tao (孫滔) <sup>2</sup>	XHT No.6 Partnership	1,100,000	1,600,000	8.89	12.92

*Notes:*

1. Mr. SHEN Chunbo has been appointed as a director in a subsidiary of the Company with effect from 16 July 2020.
2. Mr. SUN Tao has been appointed as a director in a subsidiary of the Company with effect from 23 October 2020.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, other than Mr. WU Tielong and the relevant directors in the subsidiaries of the Company, none of the Existing G Limited Partners and Additional G Limited Partners is a connected person of the Company.

## **ESTABLISHMENT OF NEW G PARTNERSHIPS**

On 19 March 2021, Comba Consulting, as general partner, entered into the new limited partnership agreements (the “**New G Limited Partnership Agreements**”) with the new G Limited Partners (the “**New G Limited Partners**”), as limited partners, respectively, in relation to the establishment and management of the four new G Partnerships, being 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)), 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)), 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 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)) (collectively the “**New G Partnerships**”). Each of the New G Partnerships is a limited partnership established in the PRC on 23 March 2021 under the relevant New G Limited Partnership Agreements and the Scheme Rules and will be accounted for as a subsidiary of the Company and its financial results will be consolidated into the accounts of the Company.

## Principal terms of the New G Limited Partnership Agreements

The principal terms of each New G Limited Partnership Agreement are identical to each other. Save as disclosed below, the principal terms of the New G Limited Partnership Agreements are identical to those of the G Limited Partnership Agreements. Please refer to the paragraphs headed “G Limited Partnership Agreements” in the announcement of the Company dated 10 June 2020 for details of other principal terms of the New G Limited Partnership Agreements.

**Date** 19 March 2021

**Partners** *G General Partner/G Executive Partner*  
Comba Consulting

*New G Limited Partners*  
174 employees of the Comba Network Group

Comba Consulting is a wholly owned subsidiary of the Company. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, none of the New G Limited Partners is a connected person of the Company.

**Committed capital contribution**

The total capital commitment of the New G Partnerships is RMB20 million, including RMB0.12 million was contributed by Comba Consulting, as the general partner, and RMB19.88 million was contributed by the New G Limited Partners, as the limited partners, respectively. Each of the New G Partnerships will be accounted for as a subsidiary of the Company and its financial results will be consolidated into the accounts of the Company.

The total capital commitment of the New G Partnerships and the amount of capital contribution of each Partner are determined on the basis of the valuation of the assets of Comba Network as at 31 December 2019 appraised by an independent PRC valuer engaged by Comba Network for the purpose of the Scheme. Please refer to the paragraphs headed “Compliance with the Listing Rules” and “Profit Forecast in relation to the Valuation Method” in the announcement of the Company dated 24 June 2020 for the details of the valuation and profit forecast respectively which were disclosed in accordance with Rules 14.62 of the Listing Rules.

The contribution of each of the New G Limited Partners and Comba Consulting (collectively, the “**New G Partners**”) is funded by the individual resources and internal resources, respectively.

**Payment of the capital contribution**

All the New G Partners have paid up their respective capital contribution in cash on or before 9 April 2021.

Pursuant to the capital increase agreement entered between the New G Partnerships and Comba Network on 12 April 2021 (the “**Capital Increase Agreement**”), the New G Partnerships will subscribe for and Comba Network will issue certain new shares at the total consideration of RMB20 million, including RMB19.88 million contributed by the New G Limited Partners as limited partners, and RMB0.12 million contributed by Comba Consulting as general partner, respectively. The New G Partnerships shall transfer the total consideration of RMB20 million to an account designated by Comba Network before 16 April 2021, upon which Comba Network shall complete the relevant registration procedures for the capital increase. Upon completion of the aforesaid capital increase, the New G Partnerships will be holding approximately 1.75% of the enlarged equity interest of Comba Network.

## **DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

Further to the Share Acquisitions, upon completion of the proposed acquisitions of the Incentive Shares by the New G Partnerships under the Scheme (the “**New Share Acquisitions**”), the Company’s interest in Comba Network (through the Company’s subsidiaries) would decrease from approximately 87.74% to approximately 85.00%. Therefore, the New Share Acquisitions would constitute a deemed disposal of the Company under the Listing Rules. Comba Network will remain as a subsidiary of the Company upon completion of the New Share Acquisitions.

The consideration of the New Share Acquisitions payable by the New G Partnerships would be RMB20 million, which is equivalent to the total capital commitment of the New G Partnerships.

In anticipation of the promising market of 5G technology development and application, the Company intends to apply the net proceeds to be received by it for (i) 5G technologies R&D and production capacity expansion and (ii) general working capital of the Group.

The shareholding structure of Comba Network immediately before and immediately after the completion of the New Share Acquisitions will be as follows:

<b>Shareholder</b>	<b>Immediately before completion of the New Share Acquisitions (Approximate %)</b>	<b>Immediately after completion of the New Share Acquisitions (Approximate %)</b>
CTSL <sup>1</sup>	85.53	84.04
Non-G Partnerships	5.13	5.04
Existing G Partnerships	4.84	4.75
New G Partnerships	–	1.75
Intel Asia Pacific Research and Development Ltd.	4.50	4.42
<b>Total</b>	<b>100</b>	<b>100</b>

*Note:*

1. CTSL is a wholly owned subsidiary of the Company.

## INFORMATION ABOUT THE PARTIES

Comba Network is a company established in the PRC with limited liability and Comba Network Group is principally engaged in manufacture and sale of wireless telecommunications network system equipment and provision of related engineering services. It currently focuses on research and development, manufacture and sale of network system products, including macro cells, small cells, related extended & in-depth coverage solutions and OpenRAN products as well as providing network solutions for 5G vertical industry. It is a non wholly owned subsidiary of the Company.

Based on the consolidated management accounts of Comba Network, the relevant financial information of Comba Network for the two financial years immediately preceding the date of this announcement are as follows:

	<b>For the year ended 31 December 2019</b>	<b>For the year ended 31 December 2020</b>
	<i>(Approximately RMB' million)</i>	<i>(Approximately RMB' million)</i>
Gain/(Loss) before tax	(41)	102
Gain/(Loss) after tax	(37)	110

On the basis of (i) the valuation of the assets of Comba Network as at 31 December 2019 appraised by an independent PRC valuer engaged by Comba Network for the purpose of the Scheme, and (ii) the completion of the Share Acquisitions, the equity market value of Comba Network is RMB1,132.1 million.

Based on the consolidated management accounts of Comba Network, the net assets value of Comba Network as at 31 December 2019 and 31 December 2020 were approximately RMB77 million and approximately 237 million respectively.

As the New Share Acquisitions will not result in the Company's loss of control over Comba Network, the New Share Acquisitions will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the Company's consolidated statement of profit or loss and other comprehensive income.

Comba Consulting is a company established in the PRC with limited liability and principally engaged in provision of advisory services.

The New G Partnerships are established for the purpose of the Scheme. For the details of the New G Partnerships and their partners, please refer to the paragraphs headed "Principal terms of the New G Limited Partnership Agreements".

The Company is principally engaged in investment holding while its subsidiaries are principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services and the provision of operator telecommunication services and their value-added services.

## **REASONS FOR AND BENEFIT OF THE TRANSFER OF LP INTERESTS, ESTABLISHMENT OF THE NEW G PARTNERSHIPS AND ENTERING INTO THE CAPITAL INCREASE AGREEMENT**

The Board is of the view that the Transfer of LP Interests, establishment of the New G Partnerships and entering into the Capital Increase Agreement will further enable the Group (i) to establish and optimise the performance oriented culture for value creation for its Shareholders; (ii) to secure long term stable development of the Group; (iii) to optimise the basic remuneration, short term incentives and long term incentives of the management, technical and skilled talents of the Group so as to retain different talents in a more flexible and effective manner for better promotion of the development of the Group; and (iv) to effectively motivate enthusiasm of key personnel to make best efforts to enhance their performance so as to strengthen the core competitiveness of the Group.

The Board considers that the terms and conditions of the Transfer Agreements, the New G Limited Partnership Agreements and the Capital Increase Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole. The New G Partnerships are established pursuant to the Scheme Rules for the purpose of implementation of the Scheme.

In respect of the Transfer of LP Interests to Mr. WU Tielong which would constitute a connected transaction of the Company, the Directors (including the independent non-executive Directors) are of the view that the relevant transaction is on normal commercial terms and the terms of the transaction are fair and reasonable and in the interests of the Company and its Shareholders as a whole despite that the transaction is not made in the ordinary and usual course of business of the Company.

In view of the interest of Mr. WU Tielong in the XHT No.3 Partnership, he has abstained from voting on the Board resolutions approving the respective Transfer Agreement and Transfer of LP Interests. Save as disclosed above, none of the Directors has any material interests in the transactions under the Transfer Agreements, New G Limited Partnership Agreements and the Capital Increase Agreement and none of them has abstained from voting on the relevant Board resolutions.

## **REASONS FOR THE RESTRICTION ON TRANSFER OF PARTNERSHIP INTERESTS**

Transfer of partnership interests by the limited partners in part or in full may be made so long as a consent of the executive partner has been obtained, to ensure that the transfer will be conducted in an orderly manner. By imposing such transfer restriction, the Company expects that (i) any person who is not an employee or consultant of the Group would not acquire any interest in the Partnerships without the consent of the executive partner, as the Scheme was adopted to recognise the contributions by the Eligible Persons only; and (ii) the executive partner shall have a power to request the relevant limited partner to transfer his/her partnership interest to the general partner or any other Eligible Person(s) if he/she plans to exit the relevant partnership.



The Scheme is primarily for a long term incentive of the Eligible Persons. The Selected Participants will be entitled to the economics of the Incentive Shares (e.g. dividend to be declared and paid by Comba Network) and the transfer price of the Incentive Shares would be based on the value of Comba Network at the time of the transfer or an agreed price with a guaranteed return on top of the principal amount (i.e. capital commitment), which might be much higher than the relevant value currently. Therefore, the Company believes that the purpose of the Scheme as stated in the Announcements will be achieved despite the transfer restriction.

## **BASES FOR DETERMINATION OF THE RESPECTIVE CAPITAL COMMITMENT OF GENERAL PARTNER AND LIMITED PARTNERS**

When determining the capital commitment of the individual limited partners in the Partnerships, the Company mainly considered (i) the contribution of the relevant individual to the Group; (ii) the seniority and importance of such individual in the Group; (iii) the financial capability of such individual; and (iv) the willingness of such individual. The capital commitment contributed by the limited partners is determined based on the valuation of Comba Network without any discount.

The partnership interests of general partner in the Partnership are reserved for the future Eligible Persons who may become the Selected Participants (e.g. future key employees of the Group). Therefore, when determining the capital commitment of the general partner, the Company considered the size of shares to be reserved for such future Eligible Persons. With respect to any future transfer of the partnership interests from the general partner to the future Selected Participants, the Company will comply with all applicable requirements of the Listing Rules as and when necessary.

## **LISTING RULES IMPLICATIONS**

Mr. WU Tielong, limited partner of the XHT No.3 Partnership, is a connected person of the Company (at the issuer level) and he, together with other connected persons of the Company (at the issuer level) who are limited partners of the Connected Partnerships, will hold more than 10% of the partnership interests in each Connected Partnership (a subsidiary of the Company). Therefore, each Connected Partnership is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and hence a connected person of the Company. The Transfer of LP Interests to Mr. WU Tielong would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Upon completion of the Transfer of LP Interests, the Connected Partnerships will continue to be interested in approximately 3.76% of the equity interest in Comba Network at the consideration of RMB43.07 million. Given that the highest applicable percentage ratio (as defined under the Listing Rules) in relation to the transactions of the Connected Partnerships pursuant to the Scheme is more than 0.1% but less than 5% (on an aggregate basis), the transactions of the Connected Partnerships pursuant to the Scheme are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

Further to the Share Acquisitions, upon completion of all the New Share Acquisitions, the Company's interest in Comba Network (through the Company's subsidiaries) would decrease from approximately 87.74% to approximately 85.00%. Therefore, the New Share Acquisitions would constitute a deemed disposal of the Company under the Listing Rules. Comba Network will remain as a subsidiary of the Company upon completion of the New Share Acquisitions.

As the highest applicable percentage ratio (as defined under the Listing Rules) under the Listing Rules in respect of the Share Acquisitions and New Share Acquisitions (on an aggregate basis) is less than 5%, the Share Acquisitions and New Share Acquisitions (on an aggregate basis) do not constitute notifiable transaction of the Company and is therefore not subject to the notification, announcement and independent shareholders' approval requirements under Chapter 14 of the Listing Rules. Relevant information in relation thereto is disclosed by the Company on a voluntary basis.

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

Hong Kong, 12 April 2021

*As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. XU Huijun, Mr. CHANG Fei Fu, Mr. BU Binlong and Ms. HUO Xinru; the following non-executive Director: Mr. WU Tielong; and the following independent non-executive Directors: Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong, Ms. NG Yi Kum and Ms. WONG Lok Lam.*

\* *For identification purpose only*