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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)

PROFIT WARNING

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

The board (the “**Board**”) of directors (the “**Director(s)**”) of the Company wishes to inform the shareholders and potential investors of the Company that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2024 (the “**Current Year**”), the Group is expected to record a loss attributable to owners of the Group’s parent company of not more than HK\$600 million for the Current Year, as compared to a profit attributable to owners of the Group’s parent company of approximately HK\$6.7 million for the year ended 31 December 2023.

The Group’s consolidated loss for the Current Year was primarily attributable to the following factors:

1. global telecom operators have delayed the construction of network capital projects which has led to a decline in the Group’s turnover and gross profit in the Current Year;

2. the Group has actively handled the writing-off of relevant inventories; and
3. the financial impact of the termination (the “**Termination**”) of the proposed spin-off of Comba Network Systems Company Limited (京信網絡系統股份有限公司) (“**Comba Network**”) by the Company (the “**Proposed Spin-off**”) and a separate listing of the A-shares in Comba Network on the Science and Technology Innovation Board of Shanghai Stock Exchange in the People’s Republic of China (the “**Proposed A-Share Listing**”) amounting to approximately HK\$160 million, details are set out in the section headed “Financial Impact of the Termination” below.

The Board considers that the Group’s financial position remains sound with sufficient working capital. Currently, the Group has rationalised the overall cost and improved the efficiency by optimising the organisational structure, adjusting the management team and downsizing the workforce. International orders have increased significantly, while domestic orders have also begun to recover. Looking forward, our new products and new businesses will be ready for launch. The Board will continue to review the Group’s operations and strategies to meet the challenges ahead and remains cautiously optimistic about the prospects and opportunities of the global operator market, specialised enterprise network market and the development of telecommunication technologies in the upcoming years.

The information contained in this announcement is based on the preliminary assessment by the Company’s management on the unaudited consolidated management accounts of the Group only. Such accounts are under audit by the Company’s auditor and have not been reviewed by the Company’s audit committee and may be subject to adjustments. Shareholders and potential investors of the Company are advised to read the annual results announcement of the Company for the Current Year carefully, which is expected to be published in late March 2025.

Financial Impact of the Termination

Reference are made to (1) the annual reports of the Company for the years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 (“**FY20-23 Annual Reports**”); and (2) the announcement made by the Company on 18 October 2024 in relation to, among other things, the Termination (the “**Termination Announcement**”).

The Board currently expects that the financial impact of the Termination amounting to approximately HK\$160 million, including the losses arising from the Redemption (as defined below) and the Buyback (as defined below), on the consolidated profit and loss of the Group for the Current Year to be as follows:

- (a) as disclosed in the FY20-23 Annual Reports, certain investors (the “**Preference Shareholder(s)**”) have previously, in contemplation of the Proposed Spin-off and the Proposed A-Share Listing, subscribed for a total of 43,124,521 redeemable preferred shares (the “**Redeemable Preferred Shares**”) issued by Comba Network with a total consideration of approximately RMB274 million. As disclosed in the FY20-23 Annual Reports, one of the key terms of the Redeemable Preferred Shares was that should Comba Network fail to consummate a qualified public offering before 31 December 2024, at the option of a Preference Shareholder, the Group shall redeem (the “**Redemption**”) all of the outstanding Redeemable Preferred Shares held by the requesting Preference Shareholder. The price of redemption of such Redeemable Preferred Shares shall be equal to (i) the issue price for the Redeemable Preferred Shares; and (ii) such amount equivalent to a return at a pre-determined simple interest rate on all accrued but unpaid dividends thereon. On the assumption that all the Preference Shareholders will exercise their respective rights to require the Company to redeem all the Redeemable Preferred Shares held by them, the Group will redeem the Redeemable Preferred Shares at an aggregate redemption amount of approximately RMB331 million, and a loss of approximately HK\$130 million for the Current Year to the Group is expected to result from the Redemption;
- (b) professional fees incurred by the Group in the Proposed A-Share Listing, which amounted to approximately HK\$18 million, were recognised as a loss to the Group in the Current Year; and
- (c) as disclosed in the Termination Announcement, the Group’s acquisition of the shares previously awarded to the Directors, the former Directors, employees and consultants of the Group through a number of limited partnerships established under the share incentive scheme adopted by the Company (the “**Buyback**”) incurred awarded shares expenses amounting to approximately HK\$12 million in total in implementing the Buyback, which were recognised as a loss to the Group in the Current Year.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 January 2025

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Ms. HUO Xinru and Mr. CHANG Fei Fu; and the following independent non-executive Directors: Ms. NG Yi Kum, Ms. WONG Lok Lam and Mr. CHONG Chee Keong, Chris.