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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)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF FURTHER INTEREST IN ETL PUBLIC COMPANY LTD.

THE ACQUISITION

The Board is pleased to announce that further to the announcement of the Company dated 1 September 2016 in relation to the entry of the Joint Venture Agreement by the Target Company, on 13 October 2016 (after trading hours), the Purchaser, a subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 5,100 ordinary shares of the Target Company, representing 51% of the total issued shares of the Target Company for a consideration of US\$5,000,000.

Before entering into the Sale and Purchase Agreement, the Target Company was owned as to 51% by the Vendor and 49% by the Purchaser. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

The Target Company's only principal asset is its interest in the Joint Venture Agreement to acquire a 51% interest in ETL. On 31 August 2016, the Target Company entered into the Joint Venture Agreement with the Lao Government, pursuant to which the Target Company shall acquire a 51% interest in ETL for a consideration of US\$91,800,000. Upon completion of the Joint Venture Agreement, ETL will be owned as to 51% and 49% by the Target Company and the Lao Government, respectively. The Company shall acquire control of ETL and the Company's economic interest in ETL shall increase from 24.99% to 51% following completion of the Sale and Purchase Agreement and the Joint Venture Agreement.

ETL was established in year 2000 and is the sole State-owned telecom operator in Lao P.D.R. ETL holds a full license of telecom operations and is the third largest telecom operator in Lao P.D.R.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition taking into account of the Capital Contribution exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that further to the announcement of the Company dated 1 September 2016 in relation to the entry of the Joint Venture Agreement by the Target Company, on 13 October 2016 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 51% of the total issued shares of the Target Company. The principal terms of the Sale and Purchase Agreement are summarized as follows:

THE SALE AND PURCHASE AGREEMENT

Date: 13 October 2016

Parties: (1) the Purchaser; and
(2) the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons.

Assets to be acquired: 5,100 ordinary shares in the Target Company, representing 51% of the total issued shares of the Target Company

Consideration: The Consideration shall be US\$5,000,000 payable in cash in two instalments.

The 1st instalment, being US\$2,000,000 ("**1st Consideration**"), will be held on the Vendor's Solicitors escrow account and shall be released, paid and transferred to the Vendor's designated bank account upon conditions that (a) duly executed the bought and sold notes and instrument of transfer in favour of the Purchaser and the Sale Shares have been duly delivered to the Purchaser; and (b) the authorized signatory nominated by the Vendor to operate the Target Company's bank account has executed all necessary documentation to surrender as the authorized signatory of the bank account.

The 2nd instalment, being US\$3,000,000 (“**2nd Consideration**”), will be held on the Vendor’s Solicitors escrow account and shall be released, paid and transferred to the Vendor’s designated bank account upon conditions that 51% interest in ETL being validly transferred to the Target Company and the Target Company has become the registered owner of the said 51% interest in ETL.

The Consideration was determined between the Vendor and the Purchaser after arm’s length negotiation with reference to the prospects of the ETL’s businesses and the potential synergies between the business of the Group and that of ETL. The Directors consider the terms of the Sale and Purchase Agreement are fair and reasonable. The Consideration will be funded through the Group’s internal resources.

Conditions:

Completion of the Sale and Purchase Agreement is conditional upon:

- (1) the entering into the escrow agreement in relation to the escrow of the 1st Consideration; and
- (2) the entering into the escrow agreement in relation to the 2nd Consideration.

As at the date of this announcement, the conditions have been satisfied.

Completion:

Completion shall take place immediately upon satisfaction of the conditions or at such other place and time as shall be mutually agreed. The Company has placed the Consideration into the escrow account of the Vendor’s solicitors.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and a special purpose vehicle established for the sole purpose of holding the investment in ETL. The Vendor and the Purchaser are interested in the Target Company as to 51% and 49%, respectively, before the completion of the Sale and Purchase Agreement.

Set out below is the audited financial information of the Target Company for the period from 9 October 2014 (date of incorporation) to 31 December 2015 and for the period from 1 January 2016 to 5 August 2016.

	For the period from 1 January 2016 to 5 August 2016 (audited)	For the period from 9 October 2014 to 31 December 2015 (audited)
Net profit/(loss) before tax	HK\$3,768,397	(HK\$3,604,617)
Net profit/(loss) after tax	HK\$3,768,397	(HK\$3,604,617)

The audited net assets of the Target Company as at 5 August 2016 was HK\$173,780.

INFORMATION OF THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Purchaser

The Purchaser is a wholly-owned subsidiary of the Company. It is a limited liability company incorporated in the British Virgin Islands. Its principal activity is investment holding.

The Vendor

The Vendor is a limited liability company incorporated in the British Virgin Islands, and its principal activity is investment holding.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and through its subsidiaries it is engaged in and has substantial experience in research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services. The Company will acquire control of ETL through the Acquisition and expand its business into telecom operation.

ETL is sponsored to promote the development of telecommunication network and telecommunication services, value added services and other services in Lao P.D.R. Pursuant to the Joint Venture Agreement, ETL will be changed from a State-owned company to a foreign invested limited liability company.

Although the economy of Lao is in the development process, with the assistance from the surrounding countries such as the PRC, the social economy and the telecommunication development have been thriving. Lao is one major corridor of the PRC's "One Belt One Road" and the PRC Government has been actively engaging in participating in Lao's infrastructure projects.

ETL holds a full license of telecom operations and is the third largest telecom operator in Lao P.D.R. ETL has established an optical fiber network coverage throughout the Lao P.D.R. The wide spectrum of customers of ETL spans from the government departments to leading industrial and commercial enterprises in Lao P.D.R. ETL has established a reputation and has laid down a solid foundation for the further development in the future. Through the participation of ETL, the Company will be able to provide comprehensive network solutions, including 2G, 3G and 4G mobile networks to telecommunication operators in Lao P.D.R. By investing into ETL, the Company may not only seize the opportunity to transform its business model from being a telecom equipment manufacturer to being a telecom operator, but also utilize ETL as the research and development testing centre for the new products of the Company such as microwave, satellite and Small Cell. The Board believes that the acquisition of further interest in ETL through the Acquisition represents a good opportunity to enable the Company to be benefited from potential financial upside return and investment income as the broadband network buildouts and enhancement continue to advance.

Before completion of the Sale and Purchase Agreement, ETL involves three stakeholders, comprising the Lao Government, the Vendor and the Company. The Company holds the least economic interest in ETL but is the main party who operates the business. Therefore, increasing the economic interest in ETL, hence strengthening the Company's control over the venture, allows the Company to operate ETL's business in a more cost effective and efficient manner.

The Directors (including the independent non-executive Directors) believe that the terms of the Acquisition are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the Acquisition taking into account of the Capital Contribution exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction and is subject to reporting and announcement requirements, but are exempted from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	acquisition of the 51% interest in the Target Company under the Sale and Purchase Agreement
“Board”	the board of Directors
“Capital Contribution”	the capital contribution by the Company to the Target Company by way of shareholder's loan and/or subscription of new shares in the Target Company for funding the Target Company to acquire 51% interest in ETL
“Completion”	completion of the sale and purchase of the Sale Shares
“Consideration”	The consideration for the transfer of the Sale Shares being the sum(s) of US\$5,000,000

“Company”	Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“ETL”	ETL Public Company Ltd, a State-owned company incorporated under the Laws of Lao P.D.R which will be changed to a foreign invested limited company after completion of the Joint Venture Agreement
“Group”	The Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Joint Venture Agreement”	the joint venture agreement dated 31 August 2016 entered into between the Target Company and the Lao Government (represented by the Ministry of Post and Telecommunications of Lao P.D.R) in relation to the acquisition of interest in and operation of ETL
“Lao Government”	the Government of Lao People’s Democratic Republic
“Lao” or “Lao P.D.R”	the People’s Democratic Republic of Lao
“Purchaser”	Jiafu Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 13 October 2016 entered into between the Purchaser and the Vendor in relation to the acquisition of shares in the Target Company
“Sale Shares”	5,100 ordinary shares in the capital of the Target Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Jiafu Holdings Limited, a company incorporated in Hong Kong with limited liability
“US\$”	United State dollars, the lawful currency of United States
“Vendor”	Li Rong International Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.

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

Hong Kong, 17 October 2016

As at the date of this announcement, the Board comprises the following executive Directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. ZHENG Guo Bao, Mr. YEUNG Pui Sang, Simon and Mr. ZHANG Yuan Jian; and the following independent non-executive Directors: Mr. LIU Cai, Mr. LAU Siu Ki, Kevin, Dr. LIN Jin Tong and Mr. QIAN Ting Shuo.