

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

FURTHER ANNOUNCEMENT

PROFIT FORECAST IN RELATION TO DEEMED DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

Reference is made to the announcement of Comba Telecom Systems Holdings Limited (the “**Company**”) dated 10 June 2020 (the “**Announcement**”) in relation to, inter alia, the deemed disposal of approximately 10.43% equity interest in Comba China. Capitalised terms used herein shall have the same meanings as those defined in the Announcement.

COMPLIANCE WITH THE LISTING RULES

Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司) (the “**Valuer**”), an independent valuer, has conducted the valuation in Comba China which forms part of the basis for determining the relevant consideration of the Share Acquisitions. As the valuation was prepared based on the comparable company analysis (市場法), which involves certain projections of profits and earnings, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the requirements under Rules 14.60A and 14.62 of the Listing Rules are applicable.

PROFIT FORECAST IN RELATION TO THE VALUATION METHOD

Pursuant to the valuation report (the “**Valuation Report**”), details of the principal assumptions, including the commercial assumptions, upon which the profit forecast is based are set out as follows:

1. The transactions of the properties of the companies compared are legal and in normal commercial terms.
2. The transactions of the stock of the listed companies compared are legal and in normal commercial terms, and are not disrupted by non-market factors.
3. The financial data disclosed by the listed companies compared is true and accurate, and the disclosure is sufficient and in a timely manner.

4. There will be no material unforeseeable change in the existing political, legal, fiscal, and economic conditions in the jurisdiction where Comba China is currently situated, and there will be no force majeure to lead to a material adverse development.
5. Unless specifically mentioned, any future guarantee, mortgage, charge, pledge, lien or other encumbrance created or assumed by Comba China, and any future additional consideration to be paid by Comba China upon significant consideration adjustment caused by uncommon transaction methods, have not been considered.
6. There will be no material unforeseeable change in the socioeconomic environment, the taxation laws and policies, the interest rate and credit policies in the jurisdiction where Comba China is currently situated.
7. Comba China, as well as its current and future business, is in compliance with relevant laws and regulations, and is consistent with the Comba China's licenses and its Articles of Association.
8. All the valued assets are currently in transaction process, are in constant use and will continue to be used in a foreseeable future.
9. Comba China will be in legal and constant operation based on its current assets and resources, and will not cease operating in a foreseeable future.

Confirmations

In accordance with Rule 14.62(2) of the Listing Rules, the Company has engaged its reporting accountant Ernst & Young, to report on the calculations on which the Valuation Report was based.

Ernst & Young has reported to the Directors in respect of the arithmetical accuracy of the calculations of the forecast in connection with the valuation of entire equity interest of Comba China as at 31 December 2019, prepared by the Valuer as set out in the Valuation Report. The Directors are solely responsible for the assumptions described above and the work performed by Ernst & Young did not include any assessment of the reasonableness or validity of the assumptions. The calculations of forecast do not involve the adoption of accounting policies.

The Directors have reviewed the assumptions based upon which the valuation of Comba China was prepared and have considered the report from Ernst & Young. The Directors confirm that the valuation of Comba China has been made after due and careful enquiry.

A report from Ernst & Young dated 24 June 2020 in compliance with Rule 14.62(2) of the Listing Rules and a letter from the Board dated 24 June 2020 in compliance with Rule 14.62(3) of the Listing Rules have been submitted to the Stock Exchange, the texts of which are included in Appendix I and Appendix II to this announcement, respectively.

Experts and Consents

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualification
Shanghai Orient Appraisal Co., Ltd. Ernst & Young	Valuer Certified Public Accountant, Hong Kong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Valuer and Ernst & Young is a third party independent of the Company and its connected person(s).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, neither the Valuer nor Ernst & Young has any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

Each of the Valuer and Ernst & Young has given and has not withdrawn its respective written consent to the publication of this announcement with the inclusion of its name and qualification, statements and report, and all references thereto in the form and context in which they are included.

SUPPLEMENTAL INFORMATION ON THE SHARE ACQUISITIONS

Incentive Shares Awarded to Directors at the Subsidiary Level and Consultants of the Group

The table below sets out the Incentive Shares awarded to the directors at the subsidiary level of the Company and the consultants of the Group:

Name	Partnerships	Capital commitment (RMB)	% As to respective Partnerships (Approximate %)
Directors at the subsidiary level			
Wong Kit Ming (黃潔明)	XHT No. 2 Partnership	400,000	1.68%
Li Yuwen (李宇雯)	XHT No. 3 Partnership	2,400,000	12.49%
Qiu Caixia (邱彩霞)	XHT No. 3 Partnership	1,200,000	6.24%
Yi Xiaowen (易曉文)	XHT No. 3 Partnership	550,000	2.86%
Chen Suiyang (陳遂陽)	XHT No. 7 Partnership	1,600,000	12.12%
Zuo Linshi (左璘石)	XHT No. 7 Partnership	400,000	3.03%
Wang Wei(王偉)	XHT No. 7 Partnership	250,000	1.89%
Zhang Yunwen (張運文)	XHT No. 8 Partnership	400,000	1.94%
Consultants			
Consultant A	XHT No. 2 Partnership	1,600,000	6.71%
Consultant B	XHT No. 8 Partnership	700,000	3.39%
Consultant C	XHT No. 8 Partnership	400,000	1.94%

Since the highest applicable percentage ratio in respect of the relevant Share Acquisitions to be made by these directors at the subsidiary level is less than 1% (on a standalone or aggregate basis), the relevant Share Acquisitions to be made by them constitute de minimis connected transactions under the Rule 14A.76 of the Listing Rules. For the listing implications of the relevant Share Acquisitions to be made by XHT No. 2 Partnership and XHT No.3 Partnership, please refer to the Announcement for details.

Consultant A and Consultant C are ex-employees of the Group. The Company decided to award the Incentive Shares to them as they had made great contributions to the Group during their tenures and will continue to make contribution to the Group. Consultant B has been and is still our consultant, who has also contributed a lot to the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the three consultants is a third party independent of the Company and its connected persons.

Reasons for the Restriction on Transfer of Partnership Interest

Transfer of partnership interest by the limited partners in part or in full may be made so long as a consent of the executive partner has been obtained, which means 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 China) and the transfer price of the Incentive Shares would be based on the value of Comba China 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 now. Therefore, the Company believes that the purpose of the Scheme as stated in the Announcement 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 to be contributed by the limited partners is determined based on the valuation of Comba China 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 interest 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.

Miscellaneous

Based on the consolidated management accounts of Comba China, the net assets value of Comba China as at 31 December 2019 was approximately RMB341 million.

Mr. Fok Tung Ling has no interest in any of the Partnerships. Mr. Fok is the father of Ms. Huo Xinru who is a limited partner in XHT No.2 Partnership. In view of his connection with Ms. Huo Xinru, Mr. Fok decided to abstain from voting on the Board resolutions approving the Scheme and the Limited Partnership Agreements.

On behalf of the Board
Comba Telecom Systems Holdings Limited
Fok Tung Ling
Chairman

Hong Kong, 24 June 2020

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. LEUNG Hoi Wai.

APPENDIX I – REPORT FROM ERNST & YOUNG

REPORT ON THE FORECAST IN CONNECTION WITH THE VALUATION OF COMBA TELECOM SYSTEMS (CHINA) LIMITED

24 June 2020

The Board of Directors
Comba Telecom Systems Holdings Limited

Dear Sirs,

Comba Telecom Systems Holdings Limited (“the Company”)

We have been engaged to report on the arithmetical accuracy of the calculations of forecast (the “**Forecast**”) on which the valuation (the “**Valuation**”) dated 20 March 2020 prepared by Shanghai Orient Appraisal Co., Ltd. in respect of the entire equity interest of Comba Telecom Systems (China) Limited (the “**Comba China**”) as at 31 December 2019. The Valuation is prepared based on the Forecast and is regarded as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibilities

The directors of the Company (the “**Directors**”) are solely responsible for the Forecast. The Forecast has been prepared using a set of assumptions (the “**Assumptions**”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in the Valuation.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Other matter

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Comba China. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you, as a body, as required by paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

APPENDIX II – LETTER FROM THE BOARD

24 June 2020

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central,
Hong Kong

Dear Sirs,

Re: Comba Telecom Systems Holdings Limited (the “**Company**”)

We refer to the announcement of the Company dated 10 June 2020 (the “**Announcement**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

Reference is made to the valuation report (the “**Valuation Report**”) dated 20 March 2020 prepared by Shanghai Orient Appraisal Co., Ltd., an independent valuer (the “**Valuer**”), in relation to the valuation of Comba China. The valuation is based on the comparable company analysis (市場法) involving certain projections of profits and earnings of Comba China, which is deemed to be a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have discussed with the Valuer and reviewed the assumptions based upon which the Valuation Report was prepared. We have also engaged Ernst & Young to report on the arithmetical accuracy of calculations of the forecast used in the Valuation Report and considered the report from Ernst & Young.

Based on the aforesaid, we confirm that the profit forecast as contained in the Valuation Report have been made after due and careful enquiry.

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