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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)

Lead placing agent and settlement agent



Placing agent



**TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF
NEW SHARES UNDER GENERAL MANDATE**

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 24 April 2020 (before trading hours), the Company, the Vendors and the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which, (i) the Vendors agreed to sell, and the Placing Agents agreed, as agents of the Vendors, to procure purchasers to purchase, on a best effort basis, 282,000,000 Top-up Placing Shares at a price of HK\$3.05 per Share, and (ii) the Vendors conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 230,000,000 Subscription Shares at the price of HK\$3.05 per Share.

The total number of 282,000,000 Top-up Placing Shares represents approximately 11.26% of the existing issued share capital of the Company and approximately 10.31% of the issued share capital of the Company as enlarged by the Subscription (assuming that there will be no change to the issued share capital of the Company from the date of this announcement to the completion of the Subscription other than the issue by the Company of the Subscription Shares).

It is expected that the Top-up Placing Shares will be placed by the Placing Agents to at least six professional, institutional and/or individual investors in board lots of 2,000 Shares, who, together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert and not connected with the Company or its connected persons. It is not expected that any such investor will become a substantial shareholder of the Company as a result of the Top-up Placing.

Completion of the Subscription is conditional upon (i) the granting of the Waiver by the Executive, (ii) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares), and (iii) the completion of the Top-up Placing having occurred pursuant to the terms and conditions of the Placing and Subscription Agreement.

Given (i) the total number of Subscription Shares does not exceed the total number of Top-up Placing Shares, and (ii) the Subscription Price per Share is equivalent to the Top-up Placing Price of HK\$3.05 per Share (save for certain expenses incurred during the process of the Top-up Placing), the issue of the Subscription Shares will not be subject to Shareholders' approval and the Subscription Shares will be issued under the General Mandate granted by the Shareholders to the Directors pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 28 May 2019. Pursuant to the General Mandate, the Directors were granted authority to allot and issue up to 495,445,583 Shares, representing 20% of the total number of Shares of the Company in issue as at 28 May 2019.

Since the total number of Top-up Placing Shares is more than the total number of Subscription Shares, the Vendors will in effect sell down 52,000,000 Shares, representing approximately 2.08% of the issued share capital of the Company as at the date of this announcement (before trading hours) at the price of HK\$3.05 per Share.

As completion of the Top-up Placing and the Subscription is subject to the satisfaction of certain conditions precedent, it may or may not materialise as contemplated or at all, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 24 April 2020 (before trading hours), the Company, the Vendors and the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which, (i) the Vendors agreed to sell, and the Placing Agents agreed, as agents of the Vendors, to procure purchasers to purchase, on a best effort basis, 282,000,000 Top-up Placing Shares at a price of HK\$3.05 per Share, and (ii) the Vendors conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 230,000,000 Subscription Shares at the price of HK\$3.05 per Share.

Placing and Subscription Agreement

Date 24 April 2020

Parties the Company;

Mr. Fok Tung Ling, as one of the Vendors;

Prime Choice Investments Limited, as one of the Vendors;

Mr. Zhang Yue Jun, as one of the Vendors;

Wise Logic Investments Limited, as one of the Vendors;

China International Capital Corporation Hong Kong Securities Limited, as the leading Placing Agent; and

DBS Asia Capital Limited, as one of the Placing Agents;

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 Placing Agents is an Independent Third Party.

Top-up Placing

Top-up Placing Shares

The Vendors agreed to sell, and the Placing Agents agreed, as agents of the Vendors, to procure purchasers to purchase, on a best effort basis, 282,000,000 Top-up Placing Shares. Assuming that there will be no change in the issued share capital of the Company from the date of this announcement to the completion of the Top-up Placing, the number of Top-up Placing Shares represent (i) approximately 11.26% of the existing issued share capital of the Company as at the date of this announcement (before trading hours); and (ii) approximately 10.31% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The aggregate nominal value of the Top-up Placing Shares under the Top-up Placing will be HK\$28,200,000.

Top-up Placing Price

The Top-up Placing Price is HK\$3.05 per Share and represents:

- (i). a discount of approximately 11.59% to the closing price of HK\$3.45 per Share as quoted on the Stock Exchange on 23 April 2020, the last trading day prior to the signing of the Placing and Subscription Agreement; and
- (ii). a discount of approximately 11.59% to the average closing price of approximately HK\$3.45 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 23 April 2020.

The Top-up Placing Price was determined after arm's length negotiations among the Company, the Vendors and the Placing Agents, with reference to the prevailing market price of the Shares.

Independence of Placing Agents and Placees

It is expected that the Top-up Placing Shares will be placed by the Placing Agents to not less than six professional, institutional and/or individual investors in board lots of 2,000 Shares who, together with their respective ultimate beneficial owners, are third parties independent of, not acting in concert and not connected with the Company or its connected persons. It is not expected that any such investor will become a substantial shareholder of the Company as a result of the Top-up Placing.

The Placing Agents are independent of the directors, chief executive or substantial shareholders of the Company or any of their respective associates.

Completion of the Top-up Placing

Completion of the Top-up Placing will take place on the Closing Date.

Lock-up Undertakings by the Vendors

Each of the Vendors undertakes to each of the Placing Agents that (except for the sale of the Placing Shares pursuant to the Placing and Subscription Agreement and any encumbrance over any Vendor Securities (as defined below) which has been created or which may be or is required to be created pursuant to the terms of any agreement or document to which the Vendor is a party, entered into prior to the date of the Placing and Subscription Agreement) for a period of 90 days from the Closing Date, it will not and will procure that none of its nominees and companies controlled by it and trusts associated with it (whether individually or together and whether directly or indirectly) will:

- (i). offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the Subscription Shares) or any interests therein beneficially owned or held by the Vendors or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests (together but excluding the Top-up Placing Shares, the “Vendor Securities”); or
- (ii). enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of Shares,

whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise; or

- (iii). announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

unless with the prior written consent of the Placing Agents.

Lock-up Undertakings by the Company

The Company undertakes to each of the Placing Agents, and each of the Vendors undertakes to the Placing Agents to procure, that for a period of 90 days from the Closing Date, the Company will not, except for the Subscription Shares and save pursuant to (1) the terms of any employee share option scheme or share award scheme of the Company or (2) bonus or scrip dividend or similar arrangements which provide for the allotment of Shares in lieu of the whole or part of a dividend on Shares of the Company in accordance with its articles of association:

- (i). allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Share(s) or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to Shares or interest in Shares; or
- (ii). agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
- (iii). announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

without first having obtained the written consent of the Placing Agents.

Subscription

Subscription Shares

The Vendors conditionally agreed to subscribe for, and the Company conditionally agreed to issue 230,000,000 new Shares, representing approximately 9.18% of the existing issued share capital of the Company and approximately 8.41% of the issued share capital of the Company as enlarged by the Subscription.

Subscription Price

The Subscription Price per Share is equivalent to the Top-up Placing Price of HK\$3.05 per Share. The estimated net proceeds from the Subscription is approximately HK\$683.03 million.

General Mandate

The Subscription Shares are to be issued under the General Mandate.

Given (i) the total number of Subscription Shares does not exceed the total number of Top-up Placing Shares, and (ii) the Subscription Price per new Share is equivalent to the Top-up Placing Price of HK\$3.05 per Share (save for certain expenses incurred during the process of the Top-up Placing), the issue of the Subscription Shares will not be subject to Shareholders' approval and the Subscription Shares will be issued under the General Mandate granted by the Shareholders to the Directors pursuant to the ordinary resolution passed at the annual general meeting of the Company held on 28 May 2019. Pursuant to the General Mandate, the Directors were granted authority to allot and issue up to 495,445,583 Shares, representing 20% of the total number of Shares of the Company in issue as at 28 May 2019.

The General Mandate is sufficient for the issue and allotment of the Subscription Shares. As such, the allotment and issue of the Subscription Shares is not subject to additional Shareholders' approval.

Ranking of the Subscription Shares

The Subscription Shares shall, when fully paid, rank *pari passu* in all respects with the other Shares in issue or to be issued by the Company on or prior to the date of completion of the Subscription including the right to all dividends and other distributions declared, made or paid at any time after the date of allotment.

Conditions Precedent to the Subscription

The completion of the Subscription shall be subject to the following conditions (the “**Condition(s)**”):

- (i). the granting of the Waiver by the Executive;
- (ii). the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Subscription Shares (and such listing and permission not subsequently revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares); and
- (iii). the completion of the Top-up Placing having occurred pursuant to the terms and conditions of the Placing and Subscription Agreement.

Completion of the Subscription

Completion of the Subscription shall take place on the second Business Day after the date upon which the last of the Conditions to be satisfied shall have been so satisfied, provided that it shall take place on a date no later than a date falling 14 days after the date of this Agreement (or such other time and/or date as the Vendors and the Company may agree in writing).

If the Subscription is not completed within 14 days after the date of the Agreement, pursuant to Chapter 14A of the Listing Rules, it will constitute a non-exempt connected transaction of the Company and the Company has to comply with the requirements of the Listing Rules, including obtaining approval from the independent Shareholders. An appropriate announcement will be made by the Company in compliance with the Listing Rules, if required and necessary.

USE OF PROCEEDS

The estimated net proceeds from the Subscription is approximately HK\$683.03 million.

The Group is principally engaged in the research, development, manufacture and sale of wireless telecommunications network system equipment and the provision of related engineering services. 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 5G technologies R&D and production capacity expansion. Specifically, company plans to invest in: 1) R&D of 5G small cells and OpenRAN, 5G antenna development and filter, and development of 5G+ vertical applications; 2) expansion of production capacity, focusing on the production of 5G small cells and antenna products.

REASON FOR THE TOP-UP PLACING AND THE SUBSCRIPTION

The Top-up Placing and the Subscription are being undertaken to supplement the Group’s long-term funding of its expansion and growth plan. The Directors consider that the Top-up Placing and the Subscription will also provide an opportunity to raise further capital for the Company whilst broadening the shareholder base and the capital base of the Company.

The Directors (including the independent non-executive Directors) consider that the terms of each of the Top-up Placing and the Subscription are fair and reasonable under the current market conditions and are in the interest of the Company and Shareholders as a whole.

DISPENSATION FROM RULE 26 OF THE TAKEOVERS CODE

Since Mr. Fok and Mr. Zhang are Directors, pursuant to the definition of “acting in concert” under the Takeovers Code they are presumed to be acting in concert under Class (6).

As a result of the Top-up Placing, the aggregate percentage shareholding of the Vendors will be reduced from approximately 39.24% to approximately 27.99% and as a result of the Subscription, aggregate percentage shareholding of the Vendors will be increased from approximately 27.99% to approximately 34.04%. Since the said approximately 6.05% increase is beyond the 2%-creeper under the Takeovers Code, the Vendors and the persons acting in concert with them would have an obligation to make a general offer for all the Shares pursuant to Rule 26 of the Takeovers Code. An application will be made to the Executive for the granting of the Waiver. As stated above, completion of the Subscription will be subject to, among other things, obtaining the Waiver.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company immediately before and immediately after the Top-up Placing and the Subscription will be as follows:

Shareholder	As at the date of this announcement (before trading hours)		Immediately after completion of only the Top-up Placing (but before the Subscription)		Immediately after completion of the Top-up Placing and the Subscription ²	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Vendors ¹	983,204,878	39.24	701,204,878	27.99	931,204,878	34.04
Placees	–	–	282,000,000	11.26	282,000,000	10.31
Other Shareholders	1,522,296,540	60.76	1,522,296,540	60.76	1,522,296,540	55.65
Total	2,505,501,418	100	2,505,501,418	100	2,735,501,418	100

Notes:

- As at the date of this announcement (before trading hours), Prime Choice and Wise Logic, held 710,115,129 and 248,225,410 Shares, representing approximately 28.34% and 9.91% of the existing issued share capital of the Company respectively. Prime Choice is a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Fok, an executive Director. Wise Logic is a company incorporated in the British Virgin Islands, and is wholly-owned by Mr. Zhang, an executive Director. Mr. Fok directly held 24,864,339 Shares, representing approximately 0.99% of the existing issued share capital of the Company. Mr. Fok will not place any of the Shares held directly by him under the Top-up Placing.
- Since the total number of Top-up Placing Shares is more than the total number of Subscription Shares, the Vendors will in effect sell down 52,000,000 Shares, representing approximately 2.08% of the issued share capital of the Company as at the date of this announcement (before trading hours) at the price of HK\$3.05 per Share.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not undertaken any equity fund raising exercise over the period of twelve months prior to the date of this announcement.

INFORMATION ABOUT THE GROUP AND THE VENDORS

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.

Prime Choice, a company incorporated in the British Virgin Islands, is a shareholder of the Company. Prime Choice is an investment holding company.

Wise Logic, a company incorporated in the British Virgin Islands, is a shareholder of the Company. Wise Logic is an investment holding company.

Mr. Fok is the sole shareholder of Prime Choice. He is an executive Director, the chairman of the Board and a Shareholder.

Mr. Zhang is the sole shareholder of Wise Logic. He is an executive Director, vice chairman of the Board and a Shareholder.

As completion of the Top-up Placing and the Subscription is subject to the satisfaction of certain conditions precedent, it may or may not materialize as contemplated or at all, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“Closing Date”	two Business Days after the Transaction Date, or such other date as the Vendors and the Placing Agents may agree in writing

“Company”	Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange (Stock Code: 2342)
“connected person(s)”	has the same meaning as defined in the Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate of the Executive Director
“General Mandate”	the general mandate granted to the Directors by the Shareholders to issue a maximum of 495,445,583 Shares pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 28 May 2019
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mr. Fok”	Mr. Fok Tung Ling, an executive Director, the chairman of the Board and a Shareholder of the Company
“Mr. Zhang”	Mr. Zhang Yue Jun, is an executive Director, vice chairman of the Board and a Shareholder of the Company

“Placing Agent(s)”	China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities, and DBS Asia Capital Limited, a licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Placing and Subscription Agreement”	the agreement entered into among the Company, the Vendors, the Placing Agents in relation to the Top-up Placing and the Subscription on 24 April 2019
“PRC”	the People’s Republic of China
“Prime Choice”	Prime Choice Investments Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Fok
“Share(s)”	ordinary share(s) of the Company with a par value of HK\$0.1 per Share
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares at the Subscription Price
“Subscription Price”	HK\$3.05 per Share
“Subscription Shares”	230,000,000 new Shares to be issued by the Company to the Vendors under the Subscription pursuant to the General Mandate
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs of Hong Kong
“Top-up Placing”	the placing of Top-up Placing Shares on the terms and subject to the conditions set out in the Placing and Subscription Agreement
“Top-up Placing Price”	HK\$3.05 per Share

“Top-up Placing Share(s)”	282,000,000 Share(s) to be placed by the Placing Agents under the Top-up Placing pursuant to the Placing and Subscription Agreement
“Transaction Date”	the date when the sale of the Top-up Placing Shares shall be reported as a cross-trade to the Stock Exchange which shall be (i) 24 April 2020 or, (ii) if dealings in the Shares on the Stock Exchange are suspended at all times on 24 April 2020, the first day on which dealings resume and the cross-trade can be reported to the Stock Exchange in accordance with its rules, or such other date as the Vendors and the Placing Agents may agree in writing
“Vendors”	Mr. Fok, Prime Choice, Wise Logic and Mr. Zhang, among which, Mr. Fok, Prime Choice and Wise Logic each being a shareholder of the Company interested in 24,864,339, 710,115,129 and 248,225,410 Shares, respectively, representing approximately 0.99%, 28.34% and 9.91% of the existing issued share capital of the Company, respectively, as at the date of this announcement (before trading hours)
“Waiver”	a waiver application made to the Executive pursuant to Note 6 on dispensations from Rule 26 of the Takeovers Code of the obligations on the Vendors to make a mandatory general offer under Rule 26 of the Takeovers Code for all securities of the Company other than those already owned or agreed to be acquired by the Vendors as a result of the allotment and issue of the Subscription Shares
“Wise Logic”	Wise Logic Investments Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Zhang Yue Jun
“%”	Percentage

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

Hong Kong, 24 April 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.