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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)

## CONNECTED TRANSACTION LOAN TO A NON WHOLLY OWNED SUBSIDIARY

On 18 July 2007, CTL and WHL entered into the Agreement pursuant to which CTL has agreed to lend a principal amount of up to US\$2.5 million (equivalent to approximately HK\$19.5 million) to WHL subject to the terms and conditions of the Agreement.

The Agreement constitutes a connected transaction of the Company under Rule 14A.66(2) of the Listing Rules which is subject to the reporting and announcement requirements but is exempted from independent shareholders' approval.

### THE AGREEMENT

<b>Date</b>	:	18 July 2007
<b>Parties</b>	:	(a) Cascade Technology Limited (as lender), a 100%-owned subsidiary of the Company (b) WaveLab Holdings Limited (as borrower), a 60%-owned subsidiary of the Company
<b>Principal amount of the Loan</b>	:	Up to US\$2.5 million (equivalent to approximately HK\$19.5 million)
<b>Availability period</b>	:	The Loan will become available for drawing by WHL at any time during the period from the date of the Agreement and ending on 31 December 2008 on and subject to the terms and conditions of the Agreement. Any portion of the Loan undrawn at the end of the Availability Period will be automatically cancelled
<b>Interest</b>	:	LIBOR (as defined in the Agreement) plus 1 per cent per annum
<b>Purpose and application of the Loan</b>	:	Unless otherwise agreed by CTL, the Loan shall be used as working capital of WHL and its subsidiaries
<b>Repayment</b>	:	CTL may, at any time upon giving notice in writing, demand immediate repayment of all or part of the Loan up to the outstanding amount and payment of any other amounts (including interest) accrued thereon. Amounts repaid by WHL may not be re-borrowed under the Agreement

## **REASONS FOR AND BENEFITS OF THE AGREEMENT**

WHL, the borrower, is an indirect 60%-owned subsidiary of the Company. The Loan is intended to be used as working capital of WHL and its subsidiaries. On this basis, the Directors are of the view that the Agreement is in the interest of the Company and its shareholders as a whole.

## **CONNECTED TRANSACTION**

CTL is a wholly-owned subsidiary of the Company and WHL is a 60%-owned subsidiary of the Company. As Mr. Zheng Guo Bao, an executive Director and a connected person of the Company, is a shareholder of WHL, holding 32% of the issued share capital of WHL, WHL (being a non wholly-owned subsidiary of the Company and an associate of Mr Zheng Guo Bao) is a connected person of the Company under the Listing Rules. To the knowledge of the Company having made all reasonable enquiries, the remaining 8% of the issued share capital of WHL is held as to 6% by a director of WHL and its subsidiaries and the remainder by third parties who are independent of and not connected with the directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or its subsidiaries or any of their respective associates.

The Agreement was not entered into by CTL in the ordinary and usual course of its business. As each of the Percentage Ratios calculated with reference to the Loan is less than 2.5% and the Agreement is on normal commercial terms, the Agreement constitutes a connected transaction of the Company under Rule 14A.66(2) of the Listing Rules which is subject to the reporting and announcement requirements and is exempted from independent shareholders' approval.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and its shareholders as a whole.

Details of the Agreement will be disclosed in the next published annual report and accounts of the Company in compliance with Rule 14A.45 of the Listing Rules.

## **GENERAL**

The principal activity of the Company is investment holding while its subsidiaries are engaged in the research, development, manufacture and sale of wireless telecommunications network enhancement system equipment and the provision of relating engineering services.

WHL and its subsidiaries are principally engaged in the research, development and the sale and manufacture of digital microwave system equipment.

## **DEFINITIONS**

“Agreement”	the loan agreement dated 18 July 2007 and entered into between CTL and WHL relating to the Loan
“associate”	has the meaning ascribed to it under the Listing Rules
“Company”	Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of The Stock Exchange of Hong Kong Limited
“connected person”	has the meaning ascribed to it under the Listing Rules

“CTL”	Cascade Technology Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Loan”	the loan in the principal amount of up to US\$2.5 million (equivalent to approximately HK\$19.5 million) which CTL agrees to make available for WHL subject to the terms and conditions of the Agreement
“Percentage Ratios”	the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China, which for the purpose of this announcement excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan
“US\$”	United States dollars, the lawful currency of the United States
“WHL”	WaveLab Holdings Limited, a company incorporated under the laws of the Cayman Islands owned as to 60% by CTL and a non wholly-owned subsidiary of the Company
“%”	per cent

*Note:* the figures in US\$ are converted into HK\$ at the rate of US\$1.00 = HK\$7.8 throughout this announcement for indication purposes only.

By order of the board of Directors  
**Chan Kai Leung, Clement**  
*Executive Director and Company Secretary*

Hong Kong, 18 July 2007

*As at the date of this announcement, the board of directors of the Company comprises the following executive Directors: Mr FOK Tung Ling, Mr ZHANG Yue Jun, Mr CHAN Kai Leung, Clement, Mr WU Jiang Cheng, Mr YAN Ji Ci, Mr ZHENG Guo Bao and Mr YEUNG Pui Sang, Simon; and the following independent non-executive Directors: Mr YAO Yan, Mr LAU Siu Ki, Kevin and Mr LIU Cai.*