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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)

PROFIT WARNING AND INSIDE INFORMATION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provision under Part XIVA of the SFO.

PROFIT WARNING

The Board wishes to inform shareholders of the Company and potential investors that based on preliminary review of the unaudited management accounts of the Group for the Current Year, the Group is expected to report a loss in the results for the Current Year.

INSIDE INFORMATION

Based on preliminary review of the unaudited management accounts of the Group for the Current Year, the Group may not be able to fulfill two of the financial covenants under the Facility Agreement. Non-fulfillment of the two financial covenants, unless waivers from the majority Lenders are obtained, would constitute an event of default under the Facility Agreement. Such default would allow the Lenders to cancel the Facility Agreement and/or declare all loans and interest under the Facility Agreement be immediately due and payable. The Group has applied to the Lenders for the relevant waivers.

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

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

PROFIT WARNING

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company and potential investors that the Group anticipates to report a loss in the results for the year ended 31 December 2012 (the “**Current Year**”), which is primarily attributable to the following factors:

1. The overall gross profit margin of the Group may fall due to the increase in the cost of sales caused by the inflation, the increasingly fierce competition in the telecommunications industry and the unrealized sales scalability of new products and new businesses.
2. Continuous global expansion of the sales and service networks of the Group resulted in the surge in operating costs.
3. Inventories write-off and other assets impairment resulted in the decrease in the overall gross profit margin and the increase in the expenses of the Group.

The Group is now actively promoting the deployment of its new products and new businesses while implementing more stringent cost control and taking various measures in downsizing at the same time. The Group also strengthened the management of cash flow and resulted in significant improvement in cash flow from operating activities as compared to the first half of 2012. Looking forward, the year of 2013 will remain to be challenging, the Board continues to review the Group’s operations and strategies to meet the challenges ahead and remains optimistic about the growth opportunities in telecommunications industry in the PRC (particularly the business development prospects in 4G) and global markets.

INSIDE INFORMATION

Reference is made to the announcement of the Company dated 26 June 2012. Comba Telecom Systems Limited, an indirect subsidiary of the Company, as borrower (the “**Borrower**”) entered into a facility agreement (the “**Facility Agreement**”) in respect of a term loan facility in an amount of US\$210,000,000, with a group of financial institutions (the “**Lenders**”).

The Company and three of its wholly-owned subsidiaries, namely Comba Telecom Systems Investments Limited, Praises Holdings Limited and Comba Telecom Limited, also entered into the Facility Agreement as guarantors. Pursuant to the Facility Agreement, the Company and the Borrower shall ensure the fulfillment of certain required financial covenants, non-fulfillment of which, unless waivers from the majority Lenders are obtained, would constitute an event of default under the Facility Agreement. Such default would allow the Lenders cancel the Facility Agreement and/or declare all loans and interest under the Facility Agreement be immediately due and payable.

Based on preliminary review of the unaudited management accounts of the Group for the Current Year, the Company may not be able to fulfill two of the financial covenants under the Facility Agreement. The Group has applied to the Lenders for the relevant waivers. Having taking into account the current cash position and operations of the Group, the Board considers that there will not be any material adverse impact on the financial position of the Group should immediate repayment of the outstanding amounts together with interest thereon under the Facility Agreement be demanded by the Lenders.

GENERAL

The information contained in this announcement is based on the preliminary assessment by the Company's management on the unaudited management accounts of the Group only. Such accounts are under the audit or review of the Company's auditor and may be subject to adjustments. Shareholders of the Company and potential investors are advised to read the annual results announcement of the Company for the Current Year carefully, which is expected to be published in the late March 2013.

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

By order of the Board of
Comba Telecom Systems Holdings Limited
Tong Chak Wai, Wilson
Executive Director

Hong Kong, 31 January 2013

As at the date of this announcement, the Board comprises the following executive directors: Mr. FOK Tung Ling, Mr. ZHANG Yue Jun, Mr. TONG Chak Wai, Wilson, Mr. WU Jiang Cheng, Mr. YAN Ji Ci, 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, Mr. LIN Jin Tong and Mr. QIAN Ting Shuo.