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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)

(1) CONTINUING CONNECTED TRANSACTIONS RELATING TO THE WTAP TRANSACTIONS AND THE WTAP-COMPONENTS TRANSACTIONS; AND (2) CONNECTED TRANSACTION RELATING TO A LOAN

Reference is made to the announcement dated 24 December 2013 of the Company regarding the continuing connected transactions of the Company relating to, among others, the Existing WTAP Agreement and Existing WTAP-Components Agreement and the connected transaction of the Company in relation to the Existing Loan Agreement.

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE WTAP AGREEMENT AND THE WTAP-COMPONENTS AGREEMENT

As the Existing WTAP Agreement and the Existing WTAP-Components Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2016, and in view of the future prospects and the future demand of communication equipment in the Mainland China and other developing countries, the Group will continue to be engaged in the business of manufacture and sales of microwave transmission products and provision of related services.

On 22 December 2016, Comba Systems BVI entered into with WaveLab Holdings (i) the WTAP Agreement for the Group's procurement of WTAPs and the relevant maintenance services; and (ii) the WTAP-Components Agreement for the supply of necessary components used in the manufacture of WTAPs and the provision of related services, each of which is for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

CONNECTED TRANSACTION RELATING TO THE LOAN

On 22 December 2016, Cascade Technology and WaveLab Holdings entered into the Loan Agreement pursuant to which Cascade Technology has agreed to lend the Loan of principal amount up to HK\$39,000,000 to WaveLab Holdings. The purpose of the Loan shall be used for the working capital of WaveLab Holdings and its subsidiaries unless otherwise agreed by Cascade Technology.

LISTING RULES IMPLICATIONS

Since (i) all the WTAP Transactions and the WTAP-Components Transactions are conducted between the Group (excluding WaveLab Holdings and its subsidiaries) and WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou), and (ii) the nature of these two transactions involves the supply and procurement of WTAPs and the related items, including but not limited to WTAPs, WTAP-Components, and the relevant services, all these transactions should be aggregated under Rule 14A.83 of the Listing Rules.

As WaveLab Holdings is a connected person of the Company and the percentage ratios of the aggregate proposed annual caps of the WTAP Transactions and WTAP-Components Transactions (other than the profits ratio) are more than 0.1% but less than 5%, the WTAP Transactions and WTAP-Components Transactions will be subject only to the reporting, announcement and annual review requirements pursuant to Rules 14A.73, 14A.74 and 14A.76(2) of the Listing Rules but are exempt from the circular and obtaining Independent Shareholders' approval requirements.

On the same token, as the percentage ratios (other than the profits ratio) are more than 0.1% but less than 5%, the Loan constitutes a connected transaction of the Company which is subject only to reporting and announcement requirements pursuant to Rule 14A.76(2) of the Listing Rules but is exempt from the requirement of obtaining Independent Shareholders' approval.

Reference is made to the announcement dated 24 December 2013 of the Company regarding the continuing connected transactions of the Company relating to, among others, the Existing WTAP Agreement and Existing WTAP-Components Agreement and the connected transaction of the Company in relation to the Existing Loan Agreement.

RELATIONSHIPS BETWEEN THE PARTIES

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the relationships between the relevant parties under the WTAP Agreement, the WTAP-Components Agreement and Loan Agreement are set out below:

The 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 with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
Cascade Technology	Cascade Technology Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
Comba Systems BVI	Comba Telecom Systems Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

WaveLab Holdings WaveLab Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and an indirect subsidiary of the Company, in which the Company has an indirect 55% beneficial interest

Mr. Zheng Mr. Zheng Guo Bao, an executive Director and a Shareholder, and a substantial shareholder of WaveLab Holdings

By virtue of the relationship between Mr. Zheng and WaveLab Holdings, WaveLab Holdings is considered to be a connected person to the Company under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE WTAP AGREEMENT AND THE WTAP-COMPONENTS AGREEMENT

As the Existing WTAP Agreement and the Existing WTAP-Components Agreement relating to the continuing connected transactions provided thereunder will expire on 31 December 2016, and in view of the future prospects and the future demand of communication equipment in the Mainland China and other developing countries, the Group will continue to be engaged in the business of manufacture and sales of microwave transmission products and provision of related services.

On 22 December 2016, Comba Systems BVI entered into the WTAP Agreement with WaveLab Holdings for the Group's procurement of WTAPs and the relevant maintenance services for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

WTAP Agreement

Date: 22 December 2016

WTAP Seller: WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou)

WTAP Purchaser: Comba Systems BVI and/or its subsidiaries (excluding WaveLab Holdings and its subsidiaries)

Products: WTAPs, exact type of products and quantities are to be agreed by the WTAP Seller and the WTAP Purchaser in writing from time to time

Maintenance services: The WTAP Seller will be responsible for the maintenance of the products sold free of charge for a period of one year from the date of the sales transactions. However, after such 1-year period, the WTAP Purchaser will be required to pay the WTAP Seller for maintenance services provided by the WTAP Seller for the products involved

Price:	To be agreed between the WTAP Seller and the WTAP Purchaser in writing from time to time in accordance with the WTAP Agreement
Payment term:	Within 90 days after delivery of the WTAPs by means of bank remittance, cheques, bank drafts or other payment method to be agreed by the WTAP Seller and the WTAP Purchaser from time to time
Term:	From 1 January 2017 to 31 December 2019, subject to the early termination provisions in the WTAP Agreement
Exclusivity:	The WTAP Purchaser has the sole and exclusive right to sell the WTAPs procured from the WTAP Seller in the Territory during the term of the WTAP Agreement. However, subject to prior written consent and not prejudicing the interest of the WTAP Purchaser, the WTAP Seller has the right to sell (i) ODUs to other small integrators and in the private network market in the Mainland China and (ii) other products, including RFUs and BUCs but excluding ODUs, to others
Condition:	The WTAP Agreement and the transactions contemplated thereunder are conditional upon the publication of this announcement on the websites of the Stock Exchange and the Company; and obtaining all necessary approval on the WTAP Agreement and the transactions thereunder by the WTAP Seller and the WTAP Purchaser on or before 31 December 2016 or such other later date as agreed by the WTAP Seller and the WTAP Purchaser

The price and the maintenance cost of the WTAPs to be sold under the WTAP Agreement will be agreed between the WTAP Purchaser and the WTAP Seller based on prevailing market prices and will, depending on market conditions, change from time to time over the term of the WTAP Agreement. It is expected that the price and the maintenance cost of WTAPs to be offered by the WTAP Seller to the WTAP Purchaser will be comparable to that being offered by the WTAP Seller to Independent Third Parties.

It is the intention of the WTAP Purchaser that in the event the price of the WTAPs offered by Independent Third Parties is more competitive than those offered by the WTAP Seller, the WTAP Purchaser intends to either (i) negotiate with the WTAP Seller to revise the terms of the sales; or (ii) purchase the products from those Independent Third Parties.

On 22 December 2016, Comba Systems BVI entered into the WTAP-Components Agreement with WaveLab Holdings for the supply of necessary components used in the manufacture of WTAPs and the provision of related services including but not limited to relevant value-added services for a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

WTAP-Components Agreement

Date:	22 December 2016
WTAP-Components Seller:	Comba Systems BVI and/or its subsidiaries (excluding WaveLab Holdings and its subsidiaries)
WTAP-Components Purchaser:	WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou)
Products:	WTAP-Components, exact type of products and quantities are to be agreed by the WTAP-Components Seller and the WTAP-Components Purchaser in writing from time to time
Services:	Related services in relation to the WTAP-Components, including but not limited to relevant value-added services, exact type of services and scope are to be agreed by the WTAP-Components Seller and the WTAP-Components Purchaser in writing from time to time
Price:	To be agreed between the WTAP-Components Seller and the WTAP-Components Purchaser in writing from time to time in accordance with the WTAP-Components Agreement
Payment term:	Within 90 days after delivery of the WTAP-Components by means of bank remittance, cheques, bank drafts or other payment method to be agreed by the WTAP-Components Seller and the WTAP-Components Purchaser from time to time
Term:	From 1 January 2017 to 31 December 2019, subject to the early termination provisions in the WTAP-Components Agreement
Condition:	The WTAP-Components Agreement and the transactions contemplated thereunder are conditional upon the publication of this announcement on the websites of the Stock Exchange and the Company; and obtaining all necessary approval on the WTAP-Components Agreement and the transactions thereunder by the WTAP-Components Seller and the WTAP-Components Purchaser in writing from time to time on or before 31 December 2016 or such other later date as agreed by the WTAP-Components Seller and the WTAP-Components Purchaser in writing from time to time

The price of the WTAP-Components and the related service cost to be sold under the WTAP-Components Agreement will be agreed between the WTAP-Components Seller and the WTAP-Components Purchaser based on prevailing market prices and will, depending on market conditions, change from time to time over the term of the WTAP-Components Agreement. It is expected that the price of WTAP-Components to be offered by the WTAP-Components Seller will be comparable to that being offered by the WTAP-Components Seller to Independent Third Parties.

Proposed Annual Caps

Historical amounts of the Existing WTAP Transactions and Existing WTAP-Components Transactions for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016

Set out below are the historical amounts of the Existing WTAP Transactions and Existing WTAP-Components Transactions for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016

	Year ended 31 December 2014 <i>(Approximately HK\$)</i>	Year ended 31 December 2015 <i>(Approximately HK\$)</i>	Six months ended 30 June 2016 <i>(Approximately HK\$)</i>
Existing WTAP Transactions	88,699,000	85,940,000	32,020,000
Existing WTAP-Components Transactions	770,000	256,000	25,000

Proposed annual caps in respect of the WTAP Transactions and WTAP-Components Transactions for each of the three years ending 31 December 2017, 2018 and 2019

The Company proposes to set the annual caps for the continuing connected transactions for each of the three years ending 31 December 2017, 2018 and 2019 as set out below:

Year ending 31 December	2017 <i>(HK\$)</i>	2018 <i>(HK\$)</i>	2019 <i>(HK\$)</i>
WTAP Transactions	107,000,000	147,000,000	159,000,000
WTAP-Components Transactions	4,300,000	5,500,000	6,200,000

The above annual caps of the WTAP Transactions and WTAP-Components Transactions are determined based on historical transaction amounts for transactions for the two years ended 2014, 2015 and the six months ended 30 June 2016. While the above annual caps of the WTAP Transactions and the WTAP-Components Transactions are determined based on (i) expected market price of the WTAPs and the WTAP-Components; (ii) management's experience and knowledge of the market of microwave transmission products, the complexity and technicality of the installation of the same and its potential future growth; and (iii) estimated demand for the Group's microwave transmission products and related services and given the continued increase in the market demand for broadband services and applications and related devices in the Mainland China and other developing countries. The annual caps for the WTAP Transactions and the WTAP-Components Transactions are also determined based on historical transaction amounts in the past years.

Reasons for entering into and benefits of the above continuing connected transactions

The principal activity of the Company is 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.

WaveLab Holdings and its subsidiaries are principally engaged in the research, development, manufacture and sale of digital microwave system equipment for microwave transmission in telecommunications systems and the provision of related software technology services. WaveLab Guangzhou is principally engaged in the manufacture and sale of digital microwave system equipment.

The business transactions with WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou) have been taking place since 2004 and are essential for the continued operation and overall growth of the business of the Group. By entering into the WTAP Agreement and the WTAP-Components Agreement, the Group continues to tap into the wireless technology market, which is one of the factors contributes to the success of the Group in the telecommunications industry. Moreover, the Group can acquire the WTAPs manufactured from reliable supply of quality WTAP-Components for re-sale to other ultimate customers, which could generate revenue and profits to the Group in a more cost-effective manner as the Group is not involved in the actual manufacture process of the WTAPs.

The continuing connected transactions will continue to be conducted in the ordinary and usual course of business of the Group, and on normal commercial terms determined on an arm's length basis.

Given (i) the long-established business practice of outsourcing the manufacture process of WTAPs to WaveLab Holdings and its subsidiaries (which can produce satisfactory results to the Group as evidence from past financial records) and (ii) the expertise of WaveLab Holdings and its subsidiaries in manufacture of WTAPs, the Group will continue to engage in the continuing connected transactions and the Directors (including the independent non-executive Directors) consider the WTAP Agreement and the WTAP-Components Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best of the Directors' knowledge, information and belief, save for Mr. Zheng and his associates, no Directors have a material interest in the WTAP Agreement and the WTAP-Components Agreement. Mr. Zheng has abstained from voting in the relevant resolutions of the Board approving the WTAP Agreement and the WTAP-Components Agreement.

Listing Rules Implication

Since (i) all the WTAP Transactions and the WTAP-Components Transactions are conducted between the Group (excluding WaveLab Holdings and its subsidiaries) and WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou), and (ii) the nature of these two transactions involves the supply and procurement of WTAPs and the related items, including but not limited to WTAPs and WTAP-Components, and the relevant services, all these transactions should be aggregated under Rule 14A.83 of the Listing Rules.

As the percentage ratios of the aggregate proposed annual caps of the WTAP Transactions and WTAP-Components Transactions (other than the profits ratio) are more than 0.1% but less than 5%, the WTAP Transactions and WTAP-Components Transactions will be subject only to the reporting, announcement and annual review requirements pursuant to Rules 14A.73, 14A.74 and 14A.76(2) of the Listing Rules but are exempt from the circular and obtaining Independent Shareholders' approval requirements.

CONNECTED TRANSACTION RELATING TO THE LOAN

As at the date hereof, there is no outstanding indebtedness under the Existing Loan Agreement.

On 22 December 2016, Cascade Technology and WaveLab Holdings entered into the Loan Agreement pursuant to which Cascade Technology has agreed to lend the Loan of principal amount up to HK\$39,000,000 to WaveLab Holdings. The purpose of the Loan shall be used for the working capital of WaveLab Holdings and its subsidiaries unless otherwise agreed by Cascade Technology.

Cascade Technology entered into the following Loan Agreement with WaveLab Holdings:

Date:	22 December 2016
Borrower:	WaveLab Holdings
Lender:	Cascade Technology
Loan Amount:	WaveLab Holdings may draw the Loan up to HK\$39,000,000 during the availability period. Any portion of the Loan undrawn at the end of the availability period will be automatically cancelled

Interest:	Interest shall only commence to accrue on the amounts drawn by WaveLab Holdings from the date of actual advance at LIBOR (London Interbank Offered Rate) (as defined in the Loan Agreement) (for interest period of 3-month, 6-month or 12-month period at the selection of WaveLab Holdings or other interest period as agreed between WaveLab Holdings and the Lender) plus 3% per annum
Availability Period:	From 1 January 2017 to 31 December 2019
Repayment:	Cascade Technology may, at any time upon giving notice in writing, demand immediate repayment of all or part of the outstanding Loan and payment of any other amount (including interest) accrued thereon. Amounts repaid by WaveLab Holdings may not be re-borrowed under the Loan Agreement
Purpose:	Unless otherwise agreed by Cascade Technology, the Loan shall be used for the working capital purpose of WaveLab Holdings and its subsidiaries

Reasons for and benefits of entering into Loan Agreement

The Board is optimistic to the growth in the business of digital microwave systems in the coming years. WaveLab Holdings and its subsidiaries need funding to finance their operations so as to capture the growth in this business. As (i) the Company is the controlling shareholder of WaveLab Holdings, (ii) the Group is one of the major customers of the WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou) in the WTAPs business, and (iii) the Group will also be one of the suppliers of WTAP-Components to WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou), the Company will derive significant business interest in the growth of the business of WaveLab Holdings and/or its subsidiaries. On this basis, the Directors (including the independent non-executive Directors) consider that the provision of the Loan is in the interest of the Company and the Shareholders as a whole and also of the view that the Loan Agreement is on normal commercial terms and fair and reasonable.

To the best of the Directors' knowledge, information and belief, save for Mr. Zheng and his associates, no Directors have a material interest in the Loan Agreement. Mr. Zheng has abstained from voting in the relevant resolutions of the Board approving the Loan Agreement.

Listing Rules Implication

As WaveLab Holdings is a connected person of the Company and the percentage ratios (other than the profits ratio) are more than 0.1% but less than 5%, the Loan constitutes a connected transaction of the Company which is subject only to reporting and announcement requirements pursuant to Rule 14A.76(2) of the Listing Rules but is exempt from the requirement of obtaining Independent Shareholders' approval.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“BUCs”	Block Up Convertors
“Cascade Technology”	Cascade Technology Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Comba Systems BVI”	Comba Telecom Systems Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“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 with limited liability, 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)”	the director(s) of the Company
“Existing Loan Agreement”	the loan agreement dated 24 December 2013 between WaveLab Holdings and Cascade Technology relating to the loan in the aggregate principal amount of up to US\$11,000,000
“Existing WTAP Agreement”	the agreement dated 24 December 2013 between Comba Systems BVI and WaveLab Holdings relating to the Existing WTAP Transactions
“Existing WTAP Transactions”	the sale of WTAPs and the provision of maintenance services for the WTAPs sold by WTAP Seller to WTAP Purchaser under the Existing WTAP Agreement
“Existing WTAP-Components Agreement”	the agreement dated 24 December 2013 between Comba Systems BVI and WaveLab Holdings relating to the Existing WTAP-Components Transactions

“Existing WTAP-Components Transactions”	the sale of the WTAP-Components by WTAP-Components Seller to WTAP-Components Purchaser under the Existing WTAP-Components Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the Shareholders, other than Mr. Zheng and his associates
“Independent Third Parties”	parties not connected with the Directors, chief executive or substantial shareholders of the Group or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the loan in aggregate principal amount of up to HK\$39,000,000 which Cascade Technology has agreed to make available for WaveLab Holdings under the Loan Agreement
“Loan Agreement”	the agreement dated 22 December 2016 between WaveLab Holdings and Cascade Technology relating to the Loan
“Mr. Zheng”	Mr. Zheng Guo Bao, an executive Director and a Shareholder of the Company, and a substantial shareholder of WaveLab Holdings
“ODUs”	digital microwave outdoor units
“Mainland China”	the Mainland of People’s Republic of China
“RFUs”	Radio Frequency Units
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Territory”	the Mainland China, Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“WaveLab Guangzhou”	波達通信設備（廣州）有限公司 (WaveLab Telecom Equipment (Guangzhou) Limited#), a wholly foreign owned enterprise established under the laws of the Mainland China and an indirect subsidiary of WaveLab Holdings and an indirect subsidiary of the Company
“WaveLab Holdings”	WaveLab Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and an indirect subsidiary of the Company, in which the Company has an indirect 55% beneficial interest
“WTAPs”	wireless transmission and access products (including but not limited to ODUs, RFUs, BUCs and such other products) used in connection with microwave transmission
“WTAP-Components”	the components (including but not limited to diplexers and such other components) used in the manufacture of wireless transmission and access products (including but not limited to ODUs, RFUs, BUCs and such other products) in connection with microwave transmission
“WTAP-Components Agreement”	the agreement dated 22 December 2016 between Comba Systems BVI and WaveLab Holdings relating to the WTAP-Components Transactions
“WTAP-Components Purchaser”	the purchaser to the WTAP-Components Agreement, being WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou)
“WTAP-Components Seller”	the seller to the WTAP-Components Agreement, being Comba Systems BVI and/or its subsidiaries (excluding WaveLab Holdings and its subsidiaries)
“WTAP-Components Transactions”	the sale of the WTAP-Components and provision of related services by the WTAP-Components Seller to the WTAP-Components Purchaser under the WTAP-Components Agreement
“WTAP Agreement”	the agreement dated 22 December 2016 between Comba Systems BVI and WaveLab Holdings relating to the WTAP Transactions
“WTAP Purchaser”	the purchaser to the WTAP Agreement, being Comba Systems BVI and/or its subsidiaries (excluding WaveLab Holdings and its subsidiaries)

“WTAP Seller”	the seller to the WTAP Agreement, being WaveLab Holdings and/or its subsidiaries (including WaveLab Guangzhou)
“WTAP Transactions”	the sale of WTAPs and the provision of maintenance services for the WTAPs sold by WTAP Seller to the WTAP Purchaser under the WTAP Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of United States
“%”	per cent

The English transliteration of the Chinese name in the announcement, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.

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

Hong Kong, 22 December 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.