

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Comba Telecom Systems Holdings Limited, you should at once hand this circular to the purchaser or other transferee or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**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**

**GENERAL MANDATES TO ISSUE SHARES  
AND REPURCHASE SHARES  
AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
RENEWAL OF THE SCHEME MANDATE**

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The notice convening the annual general meeting of Comba Telecom Systems Holdings Limited to be held at 1503-1510, Delta House, 3 On Yiu Street, Shatin, Hong Kong on 14 May 2004 at 10:00 a.m. is set out on pages 14 to 20 of this circular.

Whether or not you are able to attend the AGM, you are requested to complete the form of proxy enclosed with the 2003 Annual Report in accordance with the instructions printed thereon and return the same to the Company's principal office in Hong Kong at 1503-1510, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

21 April 2004

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“Adoption Date”	the date on which the Share Option Scheme becomes unconditional;
“AGM”	the annual general meeting of the Company to be held at 1503-1510 Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on 14 May 2004 at 10:00 a.m., Notice of which is set out on pages 14 to 20 of this circular or any adjournment thereof;
“2003 Annual Report”	the annual report of the Company dated 31 March 2004 for the year ended 31 December 2003;
“Articles”	the existing articles of association of the Company;
“Board”	the board of Directors;
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	Comba Telecom Systems Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange;
“Controlling Shareholder”	any person who has the power, directly or indirectly, to secure: <ul style="list-style-type: none"><li>(i) by means of the holding of shares entitling him to exercise or control the exercise of 30% (or such lower amount as may from time to time be specified in the Takeovers Code (approved by the Securities and Futures Commission as amended from time to time) as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company, or</li><li>(ii) by means of controlling the composition of a majority of the Board, or</li><li>(iii) by virtue of any powers conferred by the constitutional document of the Company or any other corporation,</li></ul> that the affairs of the Company are conducted in accordance with the wishes of such person;

## DEFINITIONS

“Directors”

the directors of the Company;

“Eligible Person”

means:

(i) (a) any director (whether executive or non-executive, including any independent non-executive director) or employee (whether full time or part time) of, or

(b) any individual for the time being seconded to work for,

any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a “**Category A Eligible Person**”); or

(ii) any holder of any securities issued by any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a “**Category B Eligible Person**”); or

(iii) (a) any business or joint venture partner, contractor, agent or representative of,

(b) any person or entity that provides research, development or technological support or any advisory, consultancy, professional services incident to the business of the Company and/or its subsidiaries to,

(c) any investor, vendor, supplier, developer or licensor of,

(d) any customer, licensee (including any sub-licensee), wholesaler, retailer, trader or distributor of goods or services of,

any member of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a “**Category C Eligible Person**”);

and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants;

## DEFINITIONS

“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	16 April 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Scheme Mandate”	the limit imposed under Rule 4(A) of the rules of the Share Option Scheme on the maximum number of Shares issuable upon the exercise of all options which may be granted under the Share Option Scheme and any other share option scheme of the Company, being 10% of the Shares in issue as at the Adoption Date;
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the day immediately preceding the tenth anniversary thereof;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Option Scheme”	the share option scheme of the Company approved by written resolutions of all shareholders of the Company passed on 20 June 2003;
“Shareholder(s)”	holder(s) of Shares;
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as amended from time to time; and
“%”	per cent.

LETTER FROM THE BOARD



**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**

*Executive Directors:*

Mr. Fok Tung Ling (*Chairman*)  
Mr. Zhang Yue Jun  
Mr. Chan Kai Leung, Clement  
Mr. Wu Jiang Cheng  
Mr. Yan Ji Ci  
Mr. Zheng Guo Bao

*Registered office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
George Town  
Grand Cayman  
British West Indies

*Independent non-executive Directors:*

Mr. Lau Siu Ki, Kevin  
Mr. Liu Cai  
Mr. Yao Yan

*Head office and principal place  
of business in Hong Kong:*

1503-1510, Delta House  
3 On Yiu Street  
Shatin  
New Territories  
Hong Kong

21 April 2004

*To the Shareholders*

Dear Sir or Madam,

**GENERAL MANDATES TO ISSUE SHARES  
AND REPURCHASE SHARES  
AND  
AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
RENEWAL OF SCHEME MANDATE**

**INTRODUCTION**

The purpose of this circular is to provide you information regarding the proposed granting of the general mandates to allot and issue Shares and to repurchase Shares and amendments to the Articles and renewal of the Scheme Mandate to enable you to make a decision on whether to vote for or against the resolutions in connection with such matters to be proposed at the AGM.

## LETTER FROM THE BOARD

### GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to the written resolutions of all shareholders of the Company passed on 20 June 2003 prior to the listing of the Shares on the Stock Exchange on 15 July 2003, a general mandate was given to the Directors to exercise powers of the Company to repurchase Shares up to 10% of the issued share capital of the Company immediately following completion of the share offer in connection with the listing of the Shares in July 2003. Such mandate will expire at the conclusion of the forthcoming AGM.

An ordinary resolution (“Repurchase Resolution”) will be proposed at the AGM to grant a general mandate to the Directors to exercise the powers of the Company to repurchase, at any time until the next annual general meeting of the Company following the passing of the Repurchase Resolution or such earlier date as stated therein, Shares up to a maximum of 10% of the issued share capital of the Company at the date of passing of the Repurchase Resolution (“Repurchase Mandate”).

An explanatory statement, as required under the Listing Rules to provide the requisite information in connection with the Repurchase Mandate, is set out in Appendix to this circular.

### GENERAL MANDATE TO ISSUE SHARES

Ordinary resolutions will be proposed at the AGM to grant a general mandate to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company (“Issue Mandate”) and to extend the Issue Mandate by adding to it the number of Shares repurchased by the Company under the Repurchase Mandate.

### AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Board noted that an announcement was issued by the Stock Exchange on 30 January 2004 to introduce certain amendments to the Listing Rules and the amendments to Appendix 3 (Articles of Association) to the Listing Rules have taken effect on 31 March 2004. In compliance with the amended Appendix 3 to the Listing Rules, the Board proposed that the Articles be amended subject to the approval of the Shareholders.

Your attention is drawn to the special resolution to be proposed at the AGM to approve certain amendments to the Articles to effect, amongst other things, the following changes in line with the Listing Rules (“Articles Amendments”):

- (i) to include the definition of “associates” with reference to the Listing Rules;
- (ii) to provide that where any Shareholder is under the applicable stock exchanges (for example, the Stock Exchange), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution at general meetings of Shareholders, any votes cast by or on behalf of such Shareholder in contravention of such requirement to abstain from voting or restriction shall not be counted;

## LETTER FROM THE BOARD

- (iii) to state that the period for lodgment of the notices to the Company of the intention to propose a person for election as a Director shall commence no earlier than the day after the despatch of the notice of the Shareholders' meeting appointed for such election and shall end no later than seven day's prior to the date of such Shareholders' meetings; and
- (iv) to set out that, subject to certain exemptions provided under the Articles, both the Director and his associates shall not be permitted to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which such Director or any of his associates is materially interested.

### RENEWAL OF THE SCHEME MANDATE

Pursuant to the Share Option Scheme adopted by the Company pursuant to the approval by written resolutions of all shareholders of the Company passed on 20 June 2003, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company shall not exceed 80,000,000 Shares, representing 10% of the total number of issued Shares as at the Adoption Date of the Share Option Scheme. Apart from the Share Option Scheme, the Company had no other share option scheme as at the Latest Practicable Date. The Company may refresh the Scheme Mandate by ordinary resolution of the Shareholders at general meeting provided that:

- (i) the Scheme Mandate so refreshed shall not exceed 10% of the total number of issued Shares as at the date of the Shareholders' approval of the refreshed Scheme Mandate; and
- (ii) options previously granted under any schemes (including options exercised, outstanding, cancelled, or lapsed in accordance with the terms of the Share Option Scheme) or any other share option schemes of the Company shall not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate.

Notwithstanding the foregoing, the aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the Shares in issue from time to time (the "Scheme Overall Limit").

The total number of issued Shares as at the Adoption Date was 800,000,000 Shares and the Scheme Mandate was 80,000,000 Shares (representing 10% of the Shares in issue as at the Adoption Date of the Share Option Scheme). As at the Latest Practicable Date, there were 830,000,000 Shares in issue. As at the Latest Practicable Date, options in respect of 40,940,000 Shares (representing approximately 5.1% of the Shares in issue as at the Adoption Date of the Share Option Scheme and approximately 4.9% of the Shares in issue as at the Latest Practicable Date) were granted under the Share Option Scheme, of which options in respect of 1,000,000 Shares had lapsed and options in respect of 39,940,000 Shares remained unexercised and outstanding.



## LETTER FROM THE BOARD

All the grantees of the options fell within the class of Category A Eligible Persons under the Share Option Scheme and all these options were granted in accordance with the rules of the Share Option Scheme and the relevant requirements of the Listing Rules. The following table shows the options being granted to Category A Eligible Persons:

<b>Category A Eligible Persons</b>	<b>No. of Category A Eligible Persons</b>	<b>No. of Shares in respect of which options have been granted</b>	<b>No. of Shares in respect of which options have been granted but lapsed</b>
Executive Directors	3	6,000,000	–
Employees	90	34,940,000	1,000,000

The options were granted to these Directors and employees as incentives or rewards for their contribution to the Group. None of the grantees has been granted with options which exceed the limit of 1% of the issued share capital of the Company as at the respective dates of grant. The executive Directors are connected persons (as defined in the Listing Rules) of the Company.

Since the purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons for their contribution to, and continuing efforts to promote the interests of, the Company, the Board proposes to refresh the Scheme Mandate. The Directors consider that the refreshment of the Scheme Mandate is in the interests of the Company and its Shareholders as it enables the Company to have more flexibility in providing incentives to those Eligible Persons by way of the granting of the options.

Based on 830,000,000 Shares in issue as at the Latest Practicable Date and assuming no further issue or repurchase of Shares prior to the AGM, upon refreshment of the Scheme Mandate by Shareholders at the AGM, the Company may grant options entitling holders thereof to subscribe for up to a maximum of 83,000,000 Shares, representing 10% of the issued share capital of the Company as at the date of the AGM. No options may be granted if this will result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company exceed the Scheme Overall Limit. On the basis of 830,000,000 Shares in issue as at the Latest Practicable Date, the Scheme Overall Limit represents 249,000,000 Shares. Accordingly, the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company does not exceed the Scheme Overall Limit as at the Latest Practicable Date.

## LETTER FROM THE BOARD

The refreshment of the Scheme Mandate Limit is conditional on:

- (i) the passing of an ordinary resolution to approve the refreshment of the Scheme Mandate by the Shareholders at the AGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares (representing a maximum of 10% of the Shares in issue as at the date of passing the resolution of refreshment of the Scheme Mandate at the AGM) which may fall to be issued pursuant to the exercise of the options under the Share Option Scheme and any other share option scheme(s) of the Company.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, any Shares, representing 10% of the Shares in issue at the AGM, which may fall to be issued upon the exercise of any options that may be granted under the refreshed Scheme Mandate.

### **ANNUAL GENERAL MEETING**

A notice dated 21 April 2004 convening the AGM ("AGM Notice"), which contains, among others, ordinary resolutions to approve the Repurchase Mandate and Issue Mandate and renewal of Scheme Mandate and special resolution to approve the Articles Amendments, is contained in this circular.

Pursuant to Article 66 of the Articles, a resolution put to the vote of a general meeting of the Company (including the AGM) shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by the chairman of such meeting or by:

- (i) at least three Shareholders of the Company present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring such right.

## LETTER FROM THE BOARD

In relation to item numbered 3 in the AGM Notice regarding re-election of 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, Mr. Yao Yan, Mr. Lau Siu Ki, Kevin and Mr. Liu Cai (together, "Retiring Directors") will retire at the AGM in accordance with the Articles and, being eligible, offer themselves for re-election by the Shareholders. The biographical details and interests in the Shares of the Company of the Retiring Directors to be re-elected at the AGM are set out below:

### **Biographical Information of the Directors**

#### *Executive Directors*

Mr. Fok Tung Ling (霍東齡), aged 47, is the chairman of the Board and the managing Director. Mr. Fok is primarily responsible for the Group's overall strategic planning, management and business development. From 1982 to 1987, Mr. Fok worked as an engineer in the Microwave Telecommunications Main Station of the Guangdong Bureau of Post and Telecommunications (廣東省郵電局微波通信總站). In 1986, he graduated from the Beijing University of Post and Telecommunications (北京郵電大學) majoring in microwave communications. Prior to 1991, Mr. Fok worked as an executive at the China Electronics Import-Export Corporation, South China Branch (中國電子進出口總公司華南分公司) involved in the import and export of electronic products. From 1991 to 1997, Mr. Fok was engaged in the trading of telecommunications and electronic equipment and components before co-founding the Group in 1997. Mr. Fok has over 16 years of experience in wireless communications.

Mr. Zhang Yue Jun (張躍軍), aged 45, is the deputy managing Director. Mr. Zhang is responsible for the overall research and development of new technology and products, production control as well as the overall quality control of the products. He graduated from the South China University of Technology in 1982 and obtained a bachelor's degree in wireless engineering. From 1982 to 1989, Mr. Zhang worked as a microwave telecommunications engineer in Nanjing and from 1989 to 1997 he was the deputy chief engineer of a joint venture company in Shenzhen, mainly responsible for wireless telecommunications projects. Mr. Zhang has over 21 years of experience in wireless communications and he co-founded the Group in 1997.

Mr. Chan Kai Leung, Clement (陳繼良), aged 40, is an executive Director as well as the financial controller and company secretary of the Company. Mr. Chan is primarily responsible for the overall financial management, accounting and company secretarial matters of the Group. He is a member of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Society of Accountants. Mr. Chan obtained a master's degree in business administration from the University of Sheffield in the United Kingdom. He has over 15 years of experience in auditing, investment banking and accounting and he joined the Group in 2001.

## LETTER FROM THE BOARD

Mr. Wu Jiang Cheng (伍江成), aged 44, is an executive Director as well as the marketing manager of the Group. He is responsible for the setting, implementation and control of the Group's overall sales and marketing strategies. He graduated from the Southwest Jiaotong University (西南交通大學) and obtained a bachelor's degree in electrical engineering. Mr. Wu has over 10 years of experience as a lecturer in engineering with the last two years in the Guangzhou University and over 11 years experience in communications and marketing. He joined the Group in 1997.

Mr. Yan Ji Ci (嚴紀慈), aged 49, is an executive Director and the human resources manager of the Company. Apart from supervising the overall day to day management of the Group's branches in different provinces, he is also responsible for the Group's overall human resources planning and management. Mr. Yan graduated from South China Normal University (華南師範大學), majoring in political science. Mr. Yan has over 26 years of experience in human resources management. He joined the Group in 1997.

Mr. Zheng Guo Bao (鄭國寶), aged 38, is an executive Director of the Company and the chief executive officer of WaveLab Holdings Limited. Mr. Zheng is primarily responsible for the strategic development of the digital microwave systems products. He graduated from University of Science and Technology of China and obtained bachelor and master degrees in electrical engineering. From 2000 to 2002, Mr. Zheng served as a chief engineer in Filtronic Sigtek, Inc., Maryland USA. Prior to the position, he worked as an engineering manager in wireless communication division of L3 Communications (formerly EER Systems, Inc.), Virginia USA. He is a member of the Institute of Electrical and Electronics Engineers (IEEE). Mr. Zheng has over 17 years of experience in RF/microwave/millimeter-wave technology, and wireless communications especially in the area of research and development, and engineering management. He joined the Group in January 2003.

### *Independent non-executive Directors*

Mr. Yao Yan (姚彥), aged 66, is an independent non-executive Director. Mr. Yao is currently the deputy supervisor of the Electronics Engineering Research Centre and a professor in the Department of Electronics Engineering of Tsinghua University. He was the supervisor of the State Key Lab in 1998.

Mr. Lau Siu Ki, Kevin (劉紹基), aged 45, has over 20 years of experience in corporate finance, financial advisory and management, accounting and auditing. He is currently working as a consultant in the financial advisory field. Prior to that, Mr. Lau had worked in an international accounting firm for over 15 years. Mr. Lau is a fellow member of both the Association of Chartered Certified Accountants ("ACCA") as well as the Hong Kong Society of Accountants. He is now a member of the Council of ACCA. He has also served as a member of the Committee of the Hong Kong branch of ACCA since 1995 and was the Chairman of ACCA Hong Kong for the year 2000/2001. Mr. Lau is also an independent non-executive director of Sys Solutions Holdings Limited, a company listed on the Growth Enterprise Market of

## LETTER FROM THE BOARD

the Stock Exchange and three other companies listed on the main board of the Stock Exchange, namely Forefront International Holdings Limited, Carry Wealth Holdings Limited and Greenfield Chemical Holdings Limited.

Mr. Liu Cai (劉彩), aged 64, is the vice chairman and secretary-general of the China Institute of Communications and chairman of the Consultative Committee for Telecom Law Drafting of the Ministry of Information Industry. From 1988 to 2000, Professor Liu worked with the former Ministry of Post and Telecommunications of the PRC (the “Ministry”). As the director-general of the Policy and Regulation Department of the Ministry, he was directly involved in policy setting, reform planning, laws and regulations drafting for the telecommunications industry of the PRC. Before joining the Ministry in 1988, Professor Liu was engaged in research and development work at the China Academy of Post and Telecommunications after graduating from Beijing University of Post and Telecommunications.

### **Directors’ Service Contracts**

Each of the executive Directors (except Mr. Zheng Guo Bao) has entered into a service agreement with the Company for an initial term of three years commencing on 1 July 2003 and continuing thereafter until terminated by either party giving to the other six months’ written notice. Mr. Zheng Guo Bao has entered into a service contract with the Company for an initial term of two years commencing on 30 March 2004.

Each of the executive Directors (except Mr. Zheng Guo Bao) is entitled to a basic salary which will be reviewed at the discretion of the Board after he has completed 12 months of service and a discretionary bonus payable at the absolute discretion of the Board, in each financial year. Mr. Zheng Guo Bao is entitled to a basic salary and a discretionary bonus payable at the absolute discretion of the Board. The current annual basic salary of each of Mr. Fok Tung Ling, Mr. Zhang Yue Jun, Mr. Chan Kai Leung, Clement, Mr. Wu Jiang Cheng, Mr. Yan Ji Ci and Mr. Zheng Guo Bao amounts to approximately HK\$1,950,000, HK\$1,560,000, HK\$1,105,000, HK\$1,170,000, HK\$1,001,000, HK\$100,000 respectively. The current annual basic salary received by Mr. Zheng Guo Bao from WaveLab, Inc (a member of the Group) is approximately US\$180,000.

Each of Mr. Yao Yan, Mr. Lau Siu Ki, Kevin and Mr. Liu Cai has been appointed as independent non-executive directors for a period of one year commencing on 1 July 2003. Mr. Yao, Mr. Lau and Mr. Liu are currently entitled to an annual remuneration of HK\$120,000, HK\$120,000 and HK\$200,000 respectively. Save for the above director fee, the independent non-executive directors are not entitled to any other remuneration.

## LETTER FROM THE BOARD

### The Directors' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests of the Directors in the share capital and share options of the Company (within the meaning of Part XV of the SFO), are as follows:

Long positions in the Shares and underlying Shares of the Company:

Name of Director	Notes	No. of Shares or underlying Shares interested in	Approximate percentage of the Company's issued share capital
Mr. Fok Tung Ling	(a)	453,000,000	54.58
Mr. Zhang Yue Jun	(b)	117,000,000	14.10
Mr. Chan Kai Leung, Clement	(c)	2,000,000	0.24
Mr. Wu Jiang Cheng	(d)	2,000,000	0.24
Mr. Yan Ji Ci	(e)	2,000,000	0.24

*Notes:*

- (a) 390,000,000 Shares and 63,000,000 Shares are beneficially owned by Prime Choice Investments Limited ("Prime Choice") and Total Master Investments Limited ("Total Master"), respectively. By virtue of his 100% shareholding in each of Prime Choice and Total Master, Mr. Fok Tung Ling is deemed or taken to be interested in a total of 453,000,000 Shares owned by Prime Choice and Total Master.
- (b) These Shares are beneficially owned by Wise Logic Investments Limited ("Wise Logic"). By virtue of his 100% shareholding in Wise Logic, Mr. Zhang Yue Jun is deemed or taken to be interested in the 117,000,000 Shares owned by Wise Logic.
- (c) Pursuant to the Share Option Scheme, Mr. Chan Kai Leung, Clement was granted an option to subscribe for a total of 2,000,000 Shares by the Company on 15 July 2003.
- (d) Pursuant to the Share Option Scheme, Mr. Wu Jiang Cheng was granted an option to subscribe for a total of 2,000,000 Shares by the Company on 15 July 2003.
- (e) Pursuant to the Share Option Scheme, Mr. Yan Ji Ci was granted an option to subscribe for a total of 2,000,000 Shares by the Company on 15 July 2003.

Unless otherwise stated in this circular, the Directors have no family or business relationship with any other Directors, senior management or substantial or controlling shareholders of the Company.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the principal office of the Company in Hong Kong at 1503-1510, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the AGM or any adjournment thereof (as the case

## LETTER FROM THE BOARD

may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM should you so wish.

### **RESPONSIBILITY STATEMENT**

This circular includes particular given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

### **RECOMMENDATION**

The Directors consider that the grant of the Repurchase Mandate and the Issue Mandate and the proposed Articles Amendments and the renewal of the Scheme Limit are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend you to vote in favour of all the relevant resolutions to be proposed at the AGM.

By Order of the Board  
**Fok Tung Ling**  
*Chairman and Managing Director*

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Comba Telecom Systems Holdings Limited (the “Company”) will be held at 1503-1510, Delta House, 3 On Yiu Street, Shatin, Hong Kong on 14 May 2004 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the directors and the auditors for the financial year ended 31 December 2003.
2. To declare a final dividend for the year ended 31 December 2003.
3. To re-elect the retiring directors and authorise the board of directors of the Company (the “Board”) to fix the remuneration of the directors.
4. To re-appoint auditors and to authorise the Board to fix their remuneration.
5. To consider and, if thought fit, pass with or without amendments the following resolutions as **Ordinary Resolutions**:

(A) **“THAT**

- (i) subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which might require the exercise of such powers, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time), be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements, options (including bonds, warrants and debentures convertible into shares of the Company) and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval granted in paragraph (i) above, otherwise than pursuant to (a) a Rights Issue, or (b) the exercise of options under any share option scheme or similar arrangement adopted by the Company for the grant or issue to the employees and directors of the Company and/or any of its subsidiaries and/or



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other eligible participants specified thereunder of options to subscribe for or rights to acquire shares of the Company, or (c) an issue of shares upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company; or (d) an issue of shares of the Company as scrip dividend or similar arrangement in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

**“Relevant Period”** means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.

**“Rights Issue”** means an offer of shares of the Company open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognized regulatory body or any stock exchange, in any territory outside Hong Kong).”

(B) **“THAT**

- (i) subject to paragraph (ii) below, the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase or otherwise acquire shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for

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this purpose, subject to and in accordance with all applicable laws and the requirements of the Hong Kong Code on Share Repurchases and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) be is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of shares of the Company which are authorised to be purchased pursuant to the approval in paragraph (i) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (c) the date on which the authority sets out in this resolution is revoked or varied by an ordinary resolution of the Company in general meeting.”

(C) **“THAT**

conditional upon the passing of the resolutions set out in paragraphs 5 (A) and 5(B) of the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to the resolution set out in paragraph 5(A) of the notice convening this meeting be and is hereby extended by the addition thereto an amount representing the aggregate nominal amount of shares of the Company purchased or otherwise acquired by the Company pursuant to the authority granted to the directors of the Company under the resolution set out in paragraph 5(B) above of the notice convening this meeting, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution “

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(D) **“THAT**

the existing scheme limit under the share option scheme of the Company adopted by a resolution of the shareholders of the Company dated 20th June, 2003 (the “Existing Share Option Scheme”) be refreshed so that the aggregate nominal amount of share capital of the Company to be allotted and issued pursuant to the grant or exercise of the options under the Existing Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Existing Share Option Scheme) shall not exceed 10 % of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this resolution (“Refreshed Limit”) and that the directors of the Company be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time), to grant options under the Existing Share Option Scheme up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”

6. To consider and, if thought fit, pass the following resolution as a **Special Resolution**:-

**“THAT**

- (i) Article 2 of the Articles of Association of the Company be amended by inserting the following new definition:

“associate has the meaning attributed to it in the rules of the Designated Stock Exchange.”

- (ii) 1. Existing Articles 76 of the Articles of Association of the Company be re-numbered as Article 76(1).

2. A new Article 76(2) be added to the Articles of Association of the Company as follows:

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

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- (iii) The words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Article 88 of the Articles of Association of the Company be deleted in its entirety and replaced by the following:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (iv) Article 103 of the Articles of Association of the Company be deleted in its entirety and replaced by the following:

“103(1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
  - (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent. or more of the issued shares of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived) or of the voting rights; or
  - (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) own(s) five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder.

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- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.””

By Order of the Board  
**Chan Kai Leung, Clement**  
*Company Secretary*

Hong Kong, 21 April, 2004

*Notes:*

- (a) The register of members of the Company will be closed from 10 May 2004 to 14 May 2004 (both days inclusive), during which period no transfer of shares in the Company can be registered.
- (b) All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 7 May 2004.
- (c) Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (d) To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's principal office in Hong Kong at 1503-1510, Delta House, 3 On Yiu Street, Shatin, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting.
- (e) Further details regarding resolutions set out in paragraphs 5 and 6 of this notice of the annual general meeting of the Company has been sent to the shareholders of the Company together with this circular.

This Appendix serves as an explanatory statement, as required by Rule 10.06(1)(b) of the Listing Rules, to provide the requisite information to you to enable you to make an informed decision as to whether to vote for or against the Repurchase Resolution.

## **SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 830,000,000 Shares. Subject to the passing of the Repurchase Resolution at the AGM and on the basis that no further Shares are issued or repurchased prior to the date of the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 83,000,000 Shares.

## **REASONS FOR REPURCHASE**

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Whilst it is not possible to anticipate in advance any specific circumstance in which the Directors might think it appropriate to repurchase Shares, they believe that an ability to do so would give the Company additional flexibility that would be beneficial to the Company and the Shareholders as such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

## **FUNDING OF REPURCHASE**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the 2003 Annual Report for the year ended 31 December 2003) in the event that repurchases of Shares under the Repurchase Mandate were to be carried out in full during the period of the Repurchase Mandate.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company, which in the opinion of the Directors are from time to time appropriate for the Company.

**SHARE PRICES**

The highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the calendar months since the listing of the Shares on the Stock Exchange on 15 July 2003 were as follows:

Month	Prices	
	Highest HK\$	Lowest HK\$
July 2003	2.425	2.1
August 2003	3.0	2.3
September 2003	4.0	2.75
October 2003	3.625	3.075
November 2003	3.675	3.225
December 2003	4.375	3.525
January 2004	4.625	3.85
February 2004	5.3	4.425
March 2004	4.9	4.25
April 2004 (up to the Latest Practicable Date)	4.975	4.65

**DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention, in the event that the proposed Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected persons (as defined in the Listing Rules) of the Company have notified the Company that they have any present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Company is authorised to make repurchase of its own Shares.

**UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

**TAKEOVERS CODE**

If as a result of repurchase(s) of Shares by the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could, depending on the level of increase of his or their interest, obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.



As at the Latest Practicable Date, Mr. Fok Tung Ling (through Prime Choice and Total Master) and Mr Zhang Yue Jun (through Wise Logic) were interested in a total of 453,000,000 and 117,000,000 Shares, representing approximately 54.58% and 14.10% of the total issued share capital of the Company, respectively. The exercise in full of the Repurchase Mandate by the Company, assuming that the issued share capital of the Company remains 830,000,000 Shares and based on the shareholding of Mr. Fok and Mr. Zhang above, the shareholding of Mr. Fok and Mr. Zhang in the Company will increase to approximately 60.64% and 15.66%, respectively. Accordingly, the Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

#### **SHARE REPURCHASE BY THE COMPANY**

The Company had not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.