
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 your stockbroker or other registered dealer in securities, 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, together with the enclosed form of proxy to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED
京信通信系統控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser
to the Independent Board Committee and the Independent Shareholders



CIMB-GK Securities (HK) Limited

A notice convening an extraordinary general meeting of Comba Telecom Systems Holdings Limited to be held at 1503-1510, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on 31 July 2007 at 10:00 a.m. is set out on pages 18 to 19 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude shareholders from attending and voting in person at the meeting should they so desire.

A letter from the Board is set out on pages 4 to 8 of this circular. A letter from the Independent Board Committee is set out on page 9 of this circular.

A letter from CIMB-GK, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 10 to 13 of this circular.

13 July 2007

CONTENTS

Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	9
Letter from CIMB-GK	10
Appendix — General Information	14
Notice of extraordinary general meeting	18

DEFINITIONS

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

“2004 Product Sales Agreement”	the agreement dated 1 March 2004 and made between Comba Systems Guangzhou and WaveLab Guangzhou relating to the sale of ODUs and other microwave transmission products by WaveLab Guangzhou to Comba Systems Guangzhou, which had an effective term of three years from 1 March 2004 to 28 February 2007
“2004 Waiver”	the waiver granted by the Stock Exchange on 30 March 2004, in relation to the sale of ODUs and other microwave transmission products by WaveLab Guangzhou to Comba Systems Guangzhou pursuant to the 2004 Product Sales Agreement, which expired on 31 December 2006
“Announcement”	the announcement issued by the Company on 21 June 2007 containing, among others, details of the New Product Sales Agreement, the Transactions and the New Cap
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Comba Systems BVI”	Comba Telecom Systems Investments Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Comba Systems Guangzhou”	Comba Telecom Systems (Guangzhou) Limited, a wholly foreign-owned enterprise established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Company”	Comba Telecom Systems Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purposes of considering and, if thought fit, approving the New Product Sales Agreement, the Transactions and the New Cap by the Independent Shareholders
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors established by the Board for the purpose of advising the Independent Shareholders in relation to the Transactions and the New Cap
“Independent Shareholders”	Shareholders other than Mr Zheng
“Independent Third Parties”	means parties not connected with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	10 July 2007, 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 (as amended on 31 March 2004) currently in force
“Macau”	Macau Special Administrative Region of the PRC
“Mr Zheng”	Mr Zheng Guobao, an executive Director, a Shareholder and a substantial shareholder of WaveLab Holdings
“New Cap”	the maximum value of the Transactions to be entered for each of the three years ending 31 December 2009 as set out in this circular
“New Product Sales Agreement”	the agreement dated 21 June 2007 and entered into between Comba Systems BVI and WaveLab Guangzhou relating to the sale of the Products by WaveLab Guangzhou to the Purchaser
“ODU(s)”	digital microwave outdoor units
“Percentage Ratio”	the percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules
“PRC”	People’s Republic of China
“Products”	ODUs and such other products used in connection with microwave transmission as may be agreed in writing by the Purchaser and WaveLab Guangzhou from time to time under the New Product Sales Agreement
“Purchaser”	Comba Systems BVI or any Group companies except WaveLab Holdings and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Territory”	the PRC, Hong Kong and Macau
“Transactions”	the sale of the Products by WaveLab Guangzhou to the Purchaser from time to time under the New Product Sales Agreement
“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 PRC and an indirect subsidiary of WaveLab Holdings and an indirect subsidiary of the Company
“WaveLab Holdings”	WaveLab Holdings Limited, a company incorporated in the Cayman Islands with limited liability and an indirect subsidiary of the Company, in which the Company has an indirect 60% shareholding
“%”	per cent

If there is any inconsistency between the Chinese names of the PRC entities mentioned in this circular and their English translations, the Chinese versions shall prevail.

LETTER FROM THE BOARD

Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

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
Mr. Yeung Pui Sang, Simon

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

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

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

1503-1510, 15th Floor
Delta House
3 On Yiu Street
Shatin, New Territories
Hong Kong

13 July 2007

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement made by the Company regarding the New Product Sales Agreement, the Transactions and the New Cap.

The purpose of this circular is to provide you with further details of the New Product Sales Agreement, the Transactions and the New Cap, and to set out the recommendation of the Independent Board Committee and the opinion of CIMB-GK regarding the same.

BACKGROUND

On 1 March 2004, the Group, through Comba Systems Guangzhou, entered into the 2004 Product Sales Agreement with WaveLab Guangzhou, pursuant to which WaveLab Guangzhou has been selling ODUs and other microwave transmission products to the Group. WaveLab Guangzhou is a wholly-owned subsidiary of WaveLab Holdings which, in turn, is owned as to 60% by the Group, 32% by Mr. Zheng (who is an executive Director) and 8% by various Independent Third Parties. As Mr. Zheng is a substantial shareholder in WaveLab Holdings, both WaveLab Holdings and WaveLab Guangzhou are connected persons and the 2004 Product Sales Agreement is a continuing connected transaction of the Company within the meaning of the Listing Rules.

LETTER FROM THE BOARD

The Group obtained the 2004 Waiver in respect of the 2004 Product Sales Agreement, which exempted it from strict compliance with the disclosure and shareholders' approval requirements under the Listing Rules. The 2004 Waiver expired on 31 December 2006.

The Group has, since 31 December 2006, continued to purchase products from WaveLab Guangzhou under the 2004 Product Sales Agreement. On 21 June 2007, the Group entered into the New Product Sales Agreement with WaveLab Guangzhou for the sale of the Products by WaveLab Guangzhou to the Group. The New Product Sales Agreement replaced the 2004 Product Sales Agreement. The transactions carried out by the Group pursuant to the 2004 Product Sales Agreement since the expiry of the 2004 Waiver on 31 December 2006 and the transactions to be carried out by the Group pursuant to the New Product Sales Agreement both constitute non-exempt continuing connected transactions of the Company under Rule 14A.35 of the Listing Rules.

The Company proposes to seek the approval of the Independent Shareholders (a) to ratify and confirm the transactions carried out by the Group pursuant to the 2004 Product Sales Agreement since the expiry of the 2004 Waiver on 31 December 2006; and (b) to ratify, confirm and approve the Transactions entered into or to be entered into by the Group under the New Product Sales Agreement subject to the New Cap. Mr. Zheng and his associates will abstain from voting at the EGM to be convened for this purpose. There are no other shareholders of the Company apart from Mr. Zheng who are required to abstain from voting for the ratification of the previous transaction and the New Product Sales Agreement. The votes of the Independent Shareholders in the EGM will be taken by way of a poll.

THE NEW PRODUCT SALES AGREEMENT

Date	:	21 June 2007
Seller	:	WaveLab Guangzhou
Purchaser	:	Comba Systems BVI or any Group companies except WaveLab Holdings and its subsidiaries
Products	:	ODUs and such other products used in connection with microwave transmission as may be agreed in writing by the Purchaser and WaveLab Guangzhou from time to time
Price	:	To be agreed between WaveLab Guangzhou and the Purchaser in writing from time to time in accordance with the New Product Sales Agreement
Term	:	With effect from 1 March 2007 to 31 December 2009, subject to the early termination provisions set out in the New Product Sales Agreement
Exclusivity	:	The Purchaser has the sole and exclusive right to sell the Products in the Territory during the term of the New Product Sales Agreement
Termination	:	(a) by mutual consent in writing; or (b) if any party shall be in material breach of its obligations and such breach cannot be remedied or if the relevant breach can be remedied but that party shall fail to remedy such breach within 10 days after being notified in writing to do so by the other party, then either party may terminate the New Product Sales Agreement

The Products to be sold by WaveLab Guangzhou to the Purchaser will initially include ODUs manufactured by WaveLab Guangzhou for use in microwave transmission in telecommunications systems. The Purchaser will purchase the ODUs from WaveLab Guangzhou which it will integrate with the indoor units manufactured by it and will then sell to its customers in the form of digital microwave systems. It is currently intended that most of the Products acquired will be integrated with the products of the Group.

LETTER FROM THE BOARD

The price of the Products to be sold under the New Product Sales Agreement will be agreed between the Group and WaveLab Guangzhou based on prevailing market prices and will, depending on market conditions, change from time to time over the term of that agreement. It is expected that the price of Products to be offered by WaveLab Guangzhou will be comparable to that being offered by WaveLab Guangzhou to Independent Third Parties.

CONTINUING CONNECTED TRANSACTIONS

Since WaveLab Guangzhou is a connected person of the Company, the Transactions will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the annual aggregate value of the Transactions is expected to be more than HK\$10,000,000 and the Percentage Ratio in respect of the annual aggregate value of the Transactions is expected to exceed 2.5%, the Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements under Rule 14A.35 of the Listing Rules. Details of the Transactions and the New Cap will be included in the annual report and accounts of the Company for the three financial years ending 31 December 2007, 2008 and 2009 in accordance with Rules 14A.45 and 14A.46 of the Listing Rules.

THE 2004 WAIVER

The Group obtained the 2004 Waiver in respect of the 2004 Product Sales Agreement, which exempted the Group from strict compliance with the disclosure and shareholders' approval requirement under the Listing Rules. The 2004 Waiver expired on 31 December 2006.

According to the audited consolidated financial statements of the Group for the three years ended 31 December 2004, 2005 and 2006, the total amount of purchases made by the Group from WaveLab Guangzhou pursuant to the 2004 Product Sales Agreement were:-

Financial year ended 31 December	2004	2005	2006
Annual cap under the 2004 Waiver (HK\$'000)	60,000	112,000	208,000
Transaction amount (HK\$'000)	1,872	6,268	29,680

The Group did not exceed any of the limits set out in the 2004 Waiver.

The Group has continued to purchase products from WaveLab Guangzhou pursuant to the 2004 Product Sales Agreement after the expiry of the 2004 Waiver. The unaudited total amount of purchases made by the Group from WaveLab Guangzhou from 1 January 2007 to 31 May 2007 was HK\$6,419,000. Due to an inadvertent oversight, the Company failed to publish an announcement and to seek independent shareholders' approval as prescribed under Chapter 14A of the Listing Rules in respect of those transactions which the Group entered into with WaveLab Guangzhou after the 2004 Waiver had expired on 31 December 2006.

NEW CAP FOR WHICH INDEPENDENT SHAREHOLDERS' APPROVAL IS PROPOSED TO BE SOUGHT

Given that broadband services and applications are becoming more popular and their use is expected to further increase with the forthcoming launch of 3G services in the PRC, the demand for digital microwave transmission system products of the Group has shown an increasing trend. As the 2004 Waiver expired on 31 December 2006 the Group will continue to enter into Transactions with WaveLab Guangzhou under the New Product Sales Agreement, the Directors wish to seek the approval of the Independent Shareholders with respect to those Transactions subject to the New Cap which has been calculated based on (i) historical transaction amount; (ii) the market trend for microwave transmission products; (iii) the estimated demand for the Group's products given the continued increase in the market demand for broadband services and applications and related devices; and (iv) the estimated purchases of the Products from existing and new markets.

LETTER FROM THE BOARD

Financial year ending 31 December	2007	2008	2009
	(MAR to DEC)		
New Cap (HK\$'000)	52,500	85,000	100,000

The Directors, including the independent non-executive Directors, are of the opinion that the New Product Sales Agreement has been entered into in the usual and ordinary course of business of the Group, on normal commercial terms and the terms of the New Product Sales Agreement as well as the New Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The terms and conditions of each of the Transactions will be negotiated between the parties on an arm's length basis, and will be on no less favorable terms than those available to the Group from Independent Third Parties.

REASONS FOR AND BENEFITS OF THE NEW PRODUCT SALES AGREEMENT

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 enhancement system equipment and the provision of relating engineering services.

WaveLab Holdings and its subsidiaries are principally engaged in the research and development of ODUs for microwave transmission in telecommunications systems.

WaveLab Guangzhou is principally engaged in the manufacture and sale of digital microwave system equipment.

The Group has been purchasing ODUs and other microwave transmission products from WaveLab Guangzhou since 2004. As such products are essential components of the digital microwave transmission systems produced and sold by the Group, it is necessary for the Group to continue purchasing such products from WaveLab Guangzhou.

EGM

There is set out on pages 18 to 19 of this circular a notice convening the EGM to be held at 1503-1510, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong, on 31 July 2007 at 10:00 a.m., Hong Kong. An ordinary resolution will be proposed at the EGM to approve the New Product Sales Agreement, the Transactions and the New Cap and voting will be by way of poll.

Pursuant to Rule 14A.54 of the Listing Rules, Mr Zheng, a Shareholder holding 0.17% of the issued share capital of the Company as at the Latest Practicable Date and his associates will abstain from voting in relation to the ordinary resolution to be put forward at the EGM for approving the New Product Sales Agreement, the Transactions and the New Cap. There are no other shareholders of the Company apart from Mr. Zheng who are required to abstain from voting for the ratification of the previous transaction and the New Product Sales Agreement.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM. Delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

Pursuant to Article 66 of the articles of association of the Company, a resolution put to the vote of a general meeting of the Company 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 duly demanded or is required under the Listing Rules. A poll may be demanded by:

- (i) the chairman of the meeting; or

LETTER FROM THE BOARD

- (ii) at least three Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) a Shareholder or Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy and representing in aggregate not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) a Shareholder or Shareholders present in person or, in the case of a corporation, by its duly authorised representative or by proxy and holding Shares in the Company conferring a right to attend and vote at the meeting 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; or
- (v) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

RECOMMENDATION

The Independent Board Committee, comprising the independent non-executive Directors, having taken into account the advice of CIMB-GK, considers the terms of the New Product Sales Agreement, the Transactions and the New Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM for approving the New Product Sales Agreement, the Transactions and the New Cap.

Your attention is drawn to the letter from the Independent Board Committee set out on page 9, and the letter from CIMB-GK to the Independent Board Committee and the Independent Shareholders set out on pages 10 to 13 of this circular.

Your attention is also drawn to the additional information set out in the Appendix.

Yours faithfully
For and on behalf of
Comba Telecom Systems Holdings Limited
Mr. Fok Tung Ling
Chairman and President

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

To the Independent Shareholders

13 July 2007

Dear Sir and Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular to the shareholders of Comba Telecom Systems Holdings Limited dated 13 July 2007 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

We have been appointed by the Board to consider the New Product Sales Agreement, the Transactions and the New Cap and to advise the Independent Shareholders as to whether, in our opinion, the terms of the New Product Sales Agreement, the Transactions and the New Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. CIMB-GK, has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the New Product Sales Agreement, the Transactions and the New Cap as to whether the New Product Sales Agreement, the Transactions and the New Cap are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details regarding the New Product Sales Agreement, the Transactions and the New Cap are set out in the “Letter from the Board” on pages 4 to 8 of the Circular.

Having taken into account the advice and recommendation of CIMB-GK contained in its letter set out on pages 10 to 13 of the Circular, we are of the view that the terms of the New Product Sales Agreement, the Transactions and the New Cap are on normal commercial terms, in the ordinary and usual course of business of the Company and we consider the terms of the New Product Sales Agreement, the Transactions and the New Cap to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the New Product Sales Agreement, the Transactions and the New Cap.

Yours faithfully,
The Independent Board Committee

Mr. Yao Yan
Director

Mr. Lau Siu Ki, Kevin
Director

Mr. Liu Cai
Director

LETTER FROM CIMB-GK



CIMB-GK Securities (HK) Limited

25/F Central Tower
28 Queen's Road Central
Hong Kong

13 July, 2007

*To the Independent Board Committee and the Independent Shareholders of
Comba Telecom Systems Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the Transactions, details of which are contained in a circular (the "Circular") to the Shareholders dated 13 July, 2007, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular.

On 21 June 2007, the Group, through Comba Systems BVI or any Group companies except WaveLab Holdings and its subsidiaries, entered into the New Product Sales Agreement with WaveLab Guangzhou, pursuant to which WaveLab Guangzhou has been selling ODUs and other microwave transmission products to the Group. WaveLab Guangzhou is a wholly-owned subsidiary of WaveLab Holdings which, in turn, is owned as to 60% by the Group, 32% by Mr. Zheng (who is an executive Director) and 8% by various Independent Third Parties. As Mr. Zheng, being an executive Director, is a substantial shareholder of WaveLab Holdings, both WaveLab Holdings and WaveLab Guangzhou are connected persons and the New Product Sales Agreement is a continuing connected transaction of the Company within the meaning of the Listing Rules.

The Independent Board Committee comprising Messrs. YAO Yan, LAU Siu Ki, Kevin and LIU Cai, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Transactions.

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have also assumed that the information and representations contained or referred to in the Circular or otherwise provided or made or given by the Directors and the management of the Company were true and accurate at the time they were made and continue to be so at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information and documents to satisfy ourselves that we have a reasonable basis to assess the fairness and reasonableness of the terms of the Transactions (including the New Cap) in order to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Group, WaveLab Guangzhou, WaveLab Holdings or any of their respective subsidiaries or associates.

LETTER FROM CIMB-GK

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion in respect of the Transactions (including the New Cap), we have considered the following principal factors and reasons:

Background and rationale

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

On 1 March 2004, the Group, through Comba Systems Guangzhou, entered into the 2004 Product Sales Agreement with WaveLab Guangzhou, an indirect wholly owned subsidiary of the Group, for a term of three years. The Group also obtained the 2004 Waiver in respect of the 2004 Product Sales Agreement, which exempted the Group from strict compliance with the disclosure and shareholders' approval requirement under the Listing Rules. The Cap for the three years ended 31 December 2006 were HK\$60 million, HK\$112 million and HK\$208 million respectively.

As broadband services and applications are becoming more and more popular, and their use is expected to further increase with the forthcoming launch of 3G services in the PRC, the demand for high end digital microwave system (DMS) products, which enhance transmission speed and volume, increases accordingly. As noted in the Group's 2006 annual report for the year ended 31 December 2006, the Group has reported more than threefold increase in revenue from the wireless transmission business, which accounted for approximately 3.6% of the Group's revenue in the reported year, compared to approximately 1.1% in the previous year. In line with the increase in its wireless transmission business as shown below, the Group's purchases of Products under the 2004 Product Sales Agreement for the year ended 31 December 2005 were approximately 3.3 times over the purchases in the previous financial year; and the Group's purchases for the year ended 31 December 2006 were approximately 4.7 times over that of the year ended 31 December 2005.

	For the year ended 31 December		
	2004	2005	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Actual Purchased Amounts	1,872	6,268	29,680

The 2004 Product Sales Agreement and the 2004 Waiver expired on 28 February 2007 and 31 December 2006 respectively. The Group has, since the expiry of the 2004 Product Sales Agreement, continued to purchase products from WaveLab Guangzhou based on the terms of the 2004 Product Sales Agreement. On 21 June 2007, the Group entered into the New Product Sales Agreement with WaveLab Guangzhou, which allows the Group to continue to purchase the Products from Wavelab Guangzhou.

Principal terms of the New Product Sales Agreement

According to the New Product Sales Agreement, the price of the Products will be:

- (i) agreed between the Group and WaveLab Guangzhou based on prevailing market rates and will, depending on market conditions, change from time to time over the term of the New Product Sales Agreement; and
- (ii) no less favourable than that being offered by WaveLab Guangzhou to Independent Third Parties.

In addition to the sole and exclusive right to sell the Products in the Territory, the Purchaser also has the right to distribute the Products to overseas markets during the term of the New Product Sales Agreement.

LETTER FROM CIMB-GK

As noted from the Letter from the Board of the Circular, on the basis of the above terms of the New Product Sales Agreement, the Directors are of the opinion that the terms in regard to the price of the Products to be sold under the New Product Sales Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As confirmed by the Directors, the Group has not previously purchased nor obtained quotations for the Products from other suppliers, who are Independent Third Parties. As an alternative, in assessing the fairness of the terms of the New Product Sales Agreement, we have reviewed and compared the sales terms of ODUs offered by Wavelab Guangzhou to (i) the Group; and (ii) other Independent Third Party customer, and are satisfied that the terms of the New Product Sales Agreement are no less favourable than that being offered by WaveLab Guangzhou to other Independent Third Party customer.

Views

Based on the terms of the New Product Sales Agreement that the price of the Products will be no less favourable than that being offered by WaveLab Guangzhou to Independent Third Parties, and considering that the New Product Sales Agreement enables the Group to continue to purchase the Products from Wavelab Guangzhou, we consider that the terms of the New Product Sales Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The New Cap

The following table sets out the respective New Cap of the Transactions under the New Product Sales Agreement for the ten months ending 31 December 2007 and the two financial years ending 31 December 2009:

	For the ten months		
	ending 31 December	For the year ending 31 December	
	2007	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
New Cap	52,500	85,000	100,000

As noted from the Letter from the Board of the Circular, the New Cap is determined with reference to (i) the historical transaction amount; (ii) the market trend for microwave transmission products; (iii) the estimated demand for the Group's products given the continual increase in the market demand for broadband services and applications and related devices; and (iv) the estimated purchases of the Products from existing and new markets. The Directors are of the opinion that the New Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on our discussions with the management of the Company, we note that the New Cap is determined with reference to the following factors:

- historical trend of the purchased amount of the Products under the 2004 Sales Agreement, of which the purchased amount of Products under the 2004 Product Sales Agreement for the year ended 31 December 2005 were approximately 3.3 times over the purchases in the previous financial year; and the Group's purchases for the year ended 31 December 2006 were approximately 4.7 times over that of the year ended 31 December 2005;
- forecast growth of the PRC's wireless communications industry, in particular taking into account that the new mobile and 3G licences in the PRC are expected to be released in the near future;
- forecast growth in the demand for high end DMS products, which can enhance transmission speed and volume, as broadband services and applications are becoming more and more popular in the PRC;

LETTER FROM CIMB-GK

- evaluation of the Group's existing customers' historical purchase records on the Products, as well as the Group's current orders on hand for the Products in its established overseas markets;
- the Group's recent efforts in the development of its DMS distribution networks in its newly established overseas markets; and
- the Group has become a qualified DMS product supplier to one of the largest core equipment manufacturers in the PRC (the "New Customer").

Views

Having considered the above factors, our discussion with the management of the Company in relation to the basis of the New Cap as detailed above, and our review of (i) the Group's purchase orders on hand for the Products in its established overseas markets, (ii) relevant information in respect of the growing demand for DMS products, and (iii) information on public domain in relation to the New Customer, we concur with the view of the Directors and consider that the basis of the New Cap is fair and reasonable so far as the Company and the Shareholders are concerned.

However, as the New Cap relates to future events and are based on assumptions that may or may not remain valid for the entire period up to 31 December 2009, we express no opinion as to how closely the actual purchase volume of the Transactions corresponds with the New Cap.

RECOMMENDATION

Having considered the principal factors and reasons referred to the above, we consider that the Transactions contemplated under the New Product Sales Agreement are on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole and that the terms thereof as well as the New Cap are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transactions and the New Cap contemplated under the New Product Sales Agreement.

Yours faithfully,
For and on behalf of
CIMB-GK Securities (HK) Limited

Alex Lau **Heidi Cheng**
Executive Vice President *Senior Vice President*

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules 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 in this circular misleading.

DISCLOSURE OF INTERESTS**(a) DIRECTORS**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be and have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company are taken or deemed to have under such provisions of the SFO) or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required and notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Listing Rules were as follows:-

(i) Interests and short positions in the shares, underlying shares and debentures of the Company*Long positions in the Shares*

Name of Director	Notes	Capacity / Nature of interest	Number of Shares held	Approximately % of shareholding
Mr. Fok Tung Ling (“Mr. Fok”)	(a)	Through controlled corporation	357,954,000(L)	41.97(L)
		Personal interest	8,248,000(L)	0.97(L)
Mr. Zhang Yue Jun (“Mr. Zhang”)	(b)	Through controlled corporation	97,000,000(L)	11.37(L)
Mr. Chan Kai Leung, Clement (“Mr. Chan”)	(c)	Personal interest	666,000(L)	0.08(L)
Mr. Wu Jiang Cheng (“Mr. Wu”)	(d)	Personal interest	1,800,000(L)	0.21(L)
Mr. Yan Ji Ci (“Mr. Yan”)	(d)	Personal interest	1,700,000(L)	0.20(L)
Mr. Zheng Guo Bao (“Mr. Zheng”)		Personal interest	1,450,000(L)	0.17(L)
Mr. Yeung Pui Sang, Simon (“Mr. Yeung”)	(e)	Personal interest	500,000(L)	0.06(L)

Notes:

- (a) 357,156,000 Shares and 798,000 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 is deemed or taken to be interested in the total of 357,954,000 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 is deemed or taken to be interested in the 97,000,000 Shares owned by Wise Logic.
- (c) Mr. Chan has share options in respect of 2,000,000 Shares.
- (d) Each of Mr. Wu and Mr. Yan has share options in respect of 1,000,000 Shares.
- (e) Mr. Yeung has share options in respect of 4,000,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had registered an interest of short position in the Shares or underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Divisions 7 and 8 of Part XV or Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:-

Name	Notes	Capacity / Nature of interest	Number of Shares	Approximate % of shareholding
Prime Choice Investments Limited		Beneficial owner	357,156,000(L)	41.88(L)
Mdm. Chen Jing Na	(a)	Interest of spouse	366,202,000(L)	42.94(L)
Wise Logic Investments Limited		Beneficial owner	97,000,000(L)	11.37(L)
Mdm. Cai Hui Ni	(b)	Interest of spouse	97,000,000(L)	11.37(L)

Notes:

- (a) *Mdm. Chen Jing Na is the spouse of Mr. Fok and is deemed to be interested in the 366,202,000 Shares in which Mr. Fok is deemed or taken to be interested for the purposes of the SFO.*
- (b) *Mdm. Cai Hui Ni is the spouse of Mr. Zhang and is deemed to be interested in the 97,000,000 Shares in which Mr. Zhang is deemed or taken to be interested for the purposes of the SFO.*

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (not being a Director or chief executive of the Company) was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of the other members of the Group.

(c) DIRECTOR'S INTERESTS IN COMPETITING BUSINESS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in a business, which competes or may compete with the business of the Group.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, the date to which the latest published audited consolidated accounts of the Group were made up.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

QUALIFICATIONS

The qualification of the expert who has given opinion in this circular and whose name is included in this circular is as follows:

Name	Qualification
CIMB-GK	a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

CONSENT

CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with its letter and the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, CIMB-GK does not have any shareholding interest in any member of the Group nor any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group and did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006 (being the date to which the latest published audited consolidated accounts of the Group was made up).

DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2006, being the date up to which the latest published audited financial statements of the Group were made.
- (b) Except for Mr. Zheng's interest in New Product Sales Agreement, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

MISCELLANEOUS

- (a) The head office and principal place of business of the Company in Hong Kong is at 1503-1510, 15th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the share registrars and transfer office of the Company is Computershare Hong Kong Investor Services Ltd., Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong .
- (b) The secretary and qualified accountant of the Company is Mr. Chan Kai Leung, Clement. Mr. Chan is an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 1503-1510, 15th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong up to and including 26 July 2007:-

- (a) the New Product Sales Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 9 of this circular;
- (c) the letter of advice from CIMB-GK to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 10 to 13 of this circular;
- (d) the written consent of CIMB-GK referred to in the paragraph headed "Consent" in this appendix;
- (e) the memorandum and articles of association of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Comba Telecom Systems Holdings Limited (the “Company”) will be held at 1503-1510, 15th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on Tuesday, 31 July 2007 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions:-

ORDINARY RESOLUTION

“THAT:

- (1) the New Product Sales Agreement dated 21 June 2007 and made between Comba Telecom Systems Investments Limited and WaveLab Telecom Equipment (Guangzhou) Limited 波達通信設備(廣州)有限公司 (a copy of which is marked “A” and has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) be and is hereby ratified, confirmed and approved;
- (2) the Transactions (as defined and more particularly described in the circular of the Company to its shareholders dated 13 July 2007 (the “Circular”, a copy of which is marked “B” and has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification)) be and is hereby ratified, confirmed and approved subject to the New Cap (as defined and more particularly described in the Circular);
- (3) the New Cap (as defined and more particularly described in the Circular) be and are hereby approved and confirmed;
- (4) the directors of the Company (the “Directors”) be and are hereby authorised from time to time to approve and/or to enter into, on behalf of the Company, any matter or transactions at any time relating to or under the New Product Sales Agreement subject to the New Cap (as defined and more particularly described in the Circular); and
- (5) each of the Directors be and is hereby authorized to sign, seal, execute, perfect and deliver all such documents, undertakings and deeds or to do anything on behalf of the Company which he or she may consider necessary, desirable or expedient for the purposes of, or in connection with, the implementation of the New Product Sales Agreement, the Transactions and/or the New Cap and any matters relating thereto.”

By Order of the Board

Chan Kai Leung, Clement

Executive Director and Company Secretary

Hong Kong, 13 July 2007

Notes:

- (1) Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (2) Where there are joint registered holders of any share of the Company, any one of such persons may vote at any meeting, either personally or by its duly authorised representative or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (3) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's principal office in Hong Kong at 1503-1510, 15th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjourned meeting. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) Mr Zheng Guobao, a Shareholder, an executive Director and a substantial shareholder of WaveLab Holdings and his associate (within the meaning of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) will abstain from voting in relation to the ordinary resolution to be put forward at this meeting. There are no other shareholders of the Company apart from Mr. Zheng who are required to abstain from voting for the ratification of the previous transaction and the New Product Sales Agreement.

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Office in Hong Kong:

1503-1510
15th Floor
Delta House
3 On Yiu Street
Shatin, New Territories
Hong Kong

As at the date hereof, 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.

Comba

COMBA TELECOM SYSTEMS HOLDINGS LIMITED

京信通信系統控股有限公司

(incorporated in Cayman Islands with limited liability)

(Stock Code: 2342)

FORM OF PROXY FOR EXTRAORDINARY GENERAL MEETING TO BE HELD ON 31 JULY 2007

I/We ^(Note 1) _____ of _____

being the registered holder(s) of ^(Note 2) _____ share(s) of HK\$0.10 each in the share capital of Comba Telecom Systems Holdings Limited (the “**Company**”) HEREBY APPOINT ^(Note 3) _____ of _____

or failing him, the Chairman of the meeting as my/our proxy to attend the Extraordinary General Meeting of the Company to be held at 1503-1510, 15/F, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong on 31 July 2007 at 10:00 a.m. and at any adjournment thereof, to vote for me/us as hereunder indicated, or if no such indication is given as my/our proxy thinks fit.

ORDINARY RESOLUTION	FOR ^(Note 4)	AGAINST ^(Note 4)
To ratify, confirm and approve the New Product Sales Agreement, the Transactions and the New Cap and to authorise the Directors of the Company to execute all documents and do all acts necessary in relation thereto.		

Dated this _____ day of _____, 2007

Signature(s) ^(Note 5) _____

Note:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares of HK\$0.10 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. Please insert the name and address of the proxy desired. If no name is inserted, the Chairman of the meeting will act as your proxy. A proxy need not be a member of the Company but must attend the meeting in person to represent you.
4. IMPORTANT: If you wish to vote for any of the resolution, tick in the appropriate box marked “For”. If you wish to vote against any of the resolution, tick in the appropriate box marked “Against”. Failure to tick a box will entitle your proxy to cast your vote in respect of such resolution at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to above.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
6. In the case of joint holders of a share, any one of such holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, the holder whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that share.
7. To be valid, this form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company’s principal place of business in Hong Kong at 1503-1510, 15/F, Delta House, 3 On Yiu Street, Shatin, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. Any alternation made to this form of proxy must be initialed by the person who signs it.