

CHAIRMAN'S STATEMENT

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Fok Tung Ling
Chairman and President





BUSINESS REVIEW

2005 was a challenging year for Comba. The Group recorded another year of growth in revenue amid uncertainties surrounding the possible reorganisation of the business operations of the telecommunications operators in the PRC. During the year, certain mobile operators were cautious in implementing their network expansion plans, the businesses of wireless subsystems and enhancement solutions providers in the PRC were therefore affected. In addition, the 2G mobile market is getting mature and competitive in the PRC. This has driven down the market prices of the Group's products and therefore its gross profit margin was unfavourably affected. Nevertheless, in view of the 3G business opportunities ahead, we continued to strengthen our market leadership position. We continued to implement all-round growth strategies in product development, solution innovation, improving customer services quality and market expansion. For instance, new products and solutions include Dynamic Traffic Routing solutions, 3G products (especially TD-SCDMA products), base station extension systems and full range of base station antennas, etc. In addition, we have set up a Power Amplifier

R&D centre in Silicon Valley, the US and have successfully launched our multi-carrier power amplifiers (MCPA) product line which is expected to be widely used in 3G mobile market for internal and OEM applications.

China Mobile Communications Corporation and its subsidiaries (the "China Mobile Group") and China United Telecommunications Corporation and its subsidiaries (the "China Unicom Group") remained to be our largest customers during 2005. Through our technical services and nationwide support network, we played an important role in helping customers to enhance the quality of their mobile networks. We have also participated in the 3G trials undertaken by the mobile operators.

Through PHS business and trials on 3G products, we have demonstrated our strength and expertise, and have established good relationships with the fixed line operators, the possible candidates for 3G licences in the PRC. During 2005, we also expanded our sales channels to the core equipment manufacturer market. This has helped broaden our customer base.

CHAIRMAN'S STATEMENT



Export market witnessed another year of strong growth. In order to expand our international market and broaden our name recognition, we are actively expanding our international presence and have participated in international exhibitions during 2005, including 3GSM World Congress in France in February, CommunicAsia in Singapore in June and the 3G World Congress in Hong Kong in November. The Group has already established presence in Singapore, Sweden, Thailand and India to concentrate on the development in the Asia Pacific and EMEA markets. With the successful integration of internal resources and products meeting international standards and demand, we are confident that the growth momentum of export sales will continue in 2006 and beyond.

In preparation for our anticipated business growth moving forward, we have taken multiple steps to prepare ourselves better for future challenges. We have launched a new SAP ERP system in May 2005 that integrates our procurement, finance, accounting, production, operations and project management functions into an automated platform. We have also completed the construction of our new headquarters in Guangzhou Science City, Guangdong, PRC. We expect to

relocate our R&D, sales and marketing and general management functions to the new headquarters resulting in more space in the existing facilities being used for production by the end of June 2006.

INDUSTRY OUTLOOK

The mobile market in the PRC has been growing rapidly, with the number of subscribers approaching 400 million by the end of 2005. More and more mobile applications services are available and the mobile subscribers are demanding better services from the operators. This has resulted in greater capital expenditure on network optimisation by operators to enhance the quality of their mobile networks. In the near term, we remain cautiously optimistic on the 2G wireless enhancement solutions market as mobile operators continue to improve the breadth and depth of the mobile communications network. Pricing inevitably is trending downwards but the number of players will be fewer at the same time.

From 2007 onwards, the mobile communications market in the PRC is expected to achieve another round of substantial growth. The State government is expected to finalise the 3G



policy in 2006. A few commercial trial networks are being built using the TD-SCDMA standard. It is widely expected that licences will be granted in the PRC in the foreseeable future. During initial rollout, demand for 3G wireless enhancement products and solutions may outstrip supply.

We are therefore very excited about the business opportunities brought forth for Comba by the granting of 3G licences in the PRC. The Group has been well-prepared for the 3G product development, production and services. Leveraging our leading position in the 2G market, we expect to benefit significantly from the launch of 3G services in the PRC. We are also working diligently to expand our business beyond the PRC market and to the core equipment manufacturer market. These growth strategies will broaden our customer base and create new revenue streams that will transform Comba gradually into a group with relatively more balanced income sources.

Last but not least, I would like to take this opportunity to thank our customers who have given us the opportunity to be of service to them. Additionally, I would like to thank our

shareholders, business partners, fellow directors and employees for their support and contribution. 2005 was a challenging year for Comba, so our growth strategies could not have been more timely implemented. As regards 2006 and beyond, we are confident and are delighted to face the tremendous growth opportunities in the mobile communications network enhancement equipment and subsystem market. We will continue to create value for our customers, present a good working environment for our employees, perform social responsibilities, endeavour to deliver higher growth and maximize shareholders' value.

Fok Tung Ling

Chairman and President

Hong Kong, 21 April 2006