

## Chairman's Statement

On behalf of the Board of Directors (the "Board" or the "Directors"), I am delighted to present the first annual report of DBA Telecommunication (Asia) Holdings Limited (the "Company") and its subsidiaries (together the "Group") following its listing on the Main Board of the Stock Exchange of Hong Kong on 11 May 2006.

The listing of the Group is not only a significant milestone in the Group's development, but has also laid a solid foundation for its long-term growth. The Group has higher expectations to meet as a listed company. To live up to them, the Board shall exert its best effort on promoting corporate governance and internal control with the aim of enhancing transparency of the Group's operations. It will also provide guidance to make sure the Group grasps favorable opportunities brought about by the listing to generate solid returns for shareholders.

Since the establishment in 1997, we have impressive and rapid growth. Determined to stay at the forefront of the telecommunication equipment and telecommunication technology service industry, we will focus on delivering comprehensive and quality products and services to our customers and reinforcing our presence in the PRC and Southeast Asia. We will spare no effort in extending our reach so as to become a premier telecommunication equipment and telecommunication technology service provider in the PRC and Southeast Asia.

### BUSINESS REVIEW

For the year ended 31 December 2006, the Group achieved satisfactory results with increased contributions from the sale of intelligent electronic products. The Group recorded a turnover of approximately RMB670 million, representing an increase of 20.2% as compared with the relevant period last year. Gross profit increased to approximately RMB276 million, 19.2% higher than in the previous

year. Profit attributable to shareholders increased to approximately RMB184 million, an increase of 25.5% against last year. Earnings per share were RMB19.54 cents.

### Sales of Communication Terminal Equipment

Persistent economic growth and urbanization in the PRC driving up demand for telecommunication equipment and the Group's tireless efforts to improve product quality were the contributing factors to the turnover growth.

### Sales of Intelligent Electronic Products

The increase in turnover was mainly attributable to the growing in popularity of smart card telephone cards for making telephone calls and the Group's introduction of new models of smart card vending machines during the year.

### Sales of Communication Transmission Connection Products

The increase in turnover was mainly attributable to the Group's efforts in improving the quality of the products and maintaining the products at a competitive price to its customers for its existing products and new products launched.

### Land Acquisition

The Group has purchased a land in the prime location of Fuqing Rongqiao Economic and Technology Development Zone in December 2006 for the expansion of the production facilities. The size of the land is about 73,000 square meters and the consideration is approximately RMB8.7 million. The Group's ability in securing a bargaining price from the local government in purchasing the land is a reflection of the local government's strong confidence on the Group's future development which will enhance tax income and employment opportunity.

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### FINANCIAL REVIEW

#### Liquidity and Financial Resources

As at 31 December 2006, The Group had total assets of approximately RMB758 million comprising non-current assets of approximately RMB74 million and current assets of approximately RMB684 million.

The Group's total borrowings reduced from RMB6 million as at 31 December 2005 to Nil as at 31 December 2006. Such reduction was resulted from the full repayment of bank loans.

The Group's cash and cash equivalents, mostly denominated in RMB and Hong Kong dollar, were to approximately RMB402 million as at 31 December 2006.

### OUTLOOK

While seeing challenges for the Group in the overall market environment, the Directors are optimistic about the Group's business outlook. It expects sales of communication terminal equipment, intelligent electronic products and communication transmission connection products to remain strong and continue to grow along side the booming economy of the PRC. Taking into account the utilization rates of its production facilities are standing relatively high and the need to meet anticipated demand and accommodate production of new products, the Group will construct new production facilities which will give it ample production capacity to meet all the said requirements. The new production facilities are

expected to be completed in the second half of 2007. The Group continued to set up representative offices in major cities in the PRC in its bid to expand its sales and marketing network. During the year, six new offices were added, which brought the Group's total number of representative offices in the PRC to 27. The Group is also conducting research on expanding its business to certain countries in the Southeast Asia market. Furthermore, to promote its image and products, the Group will actively participate in trade fairs and exhibitions. Recognizing the importance of constantly enhancing its products, the Group will continue to focus on research and development of more advanced and efficient products. It will also strive to improve its financial results by introducing measures to effectively control manufacturing cost, selling and distribution costs, administrative expenses and research and development expenditure and maintaining debtor's turnover days and inventory turnover days at healthy levels.

### DIVIDENDS

We are committed to distribute dividends of not less than 30% of the net profit from ordinary activities attributable to shareholders for the first financial year subsequent to the listing of the Company on 11 May 2006. In the light of this, the directors declared and paid an interim dividend of HK 1 cent (2005: Nil). Subject to approval by shareholders at the forthcoming annual general meeting on 30 April 2007, the board has proposed the payment of a final dividend of HK4.33 cents per share for the year ended 31 December 2006 (2005: Nil).

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### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devotion and hard work. I would also like to extend my sincere thanks to our customers and shareholders for their continuous support and trust. We will continue to strive for excellence and do our very best to maximize returns for our stakeholders in the coming years.

### YU Longrui

*Chairman and Chief Executive Officer*

Hong Kong, 15 March 2007