

Chairman's Statement

2006 was a year of solid growth for Comba. We are pleased to be able to deliver growth in all three business lines, namely, wireless enhancement, antennas and subsystems, and wireless transmissions.

Fok Tung Ling
Chairman and President



BUSINESS REVIEW

2006 was a year of solid growth for Comba. We are pleased to be able to deliver growth in all three business lines, namely, wireless enhancement, antennas and subsystems, and wireless transmissions. The product growth strategies we adopted a few years ago started paying dividends. The Group recorded steady revenue growth in its core business of wireless enhancement. We delivered remarkable growth in antennas and subsystems business and robust growth in wireless transmissions business in 2006. We had seen some achievements in our market expansion strategy. While we continued to penetrate the domestic market in the PRC and to strengthen our relationships with the customers, we actively developed our overseas business.

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 2006. Through our technical services and nationwide support platform, we played an important role in helping mobile operators to enhance the quality of their mobile networks. Without such quality services platform, we could not have achieved the remarkable business growth in 2006.

Export market witnessed another year of remarkable 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 2006, including 3GSM World Congress in Spain in February, CommunicAsia in Singapore in June and the ITU Telecom World in Hong Kong in December. Following the set up of an office in Sao Paulo, Brazil in early 2006, the Group has already established presence globally, covering most of the developing countries. We are confident that the growth momentum of export sales will continue in 2007 and beyond. During 2006, we also expanded our sales channels to the core equipment manufacturer market. This has helped broaden our customer base.



Chairman's Statement



Our new PRC headquarters in Guangzhou Science City, Guangdong, the PRC was opened in September 2006. This marked a new milestone for Comba. Our R&D, sales and marketing and general management functions have been relocated to the new headquarters in order to achieve better coordination among various functions. This has also resulted in more space in the existing facilities being used for production. Such expansion has enabled Comba to be ready for the business opportunities in the next few years.

In view of the 3G business opportunities ahead, we continued to strengthen our market leadership position. We have implemented all-round growth strategies in product development, solution innovation, improving customer services quality and market expansion. A strong R&D team in the PRC is complemented by two R&D centres in the US, one for outdoor unit in our DMS business and one for multi-carrier power amplifiers (MCPA) product line. Such well-coordinated R&D efforts have enabled the Group to develop top quality products which can meet market needs.

On the other hand, we are pleased with the results achieved by implementing a new SAP ERP system. Our procurement, finance, accounting, production, operations and project management functions have been integrated into an automated platform. Efficiency and control have been greatly improved.

INDUSTRY OUTLOOK

The mobile market in the PRC has been growing rapidly, with the number of subscribers exceeding 460 million by the end of 2006. 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 networks.



The mobile communications market in the PRC is expected to achieve another round of substantial growth in the medium term. The State government is determined to promote the domestic application of TD-SCDMA 3G technology and it is widely reported that the parent company of the China Mobile Group will be launching a TD-SCDMA capex programme shortly. Given our excellent relationship with the China Mobile Group and each of the related core equipment manufacturers, and our participation in the trial networks, we are well poised to benefit from the TD-SCDMA capex rollout in a number of cities in the PRC in 2007. On the other hand, through PHS business and trials on 3G products, we have demonstrated our strength and expertise, and have established good relationships with the Chinese fixed line operators, who are expected to expand into the mobile market in the foreseeable future.

We are therefore very excited about the business opportunities brought forth for Comba by the opening up of the mobile market and the potential 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. 2006 was a year of solid growth for Comba. I am pleased to witness the revenue contribution from new businesses. As regards 2007 and beyond, we are confident and are delighted to face the tremendous growth opportunities in the mobile communications equipment market. We will continue to create value for our customers, present a good working environment for our employees, perform social responsibilities, endeavour to deliver satisfactory growth and maximize shareholders' value.

Fok Tung Ling

Chairman and President

Hong Kong, 12 April 2007