

REVIEW OF OPERATIONS

The Group's business in China continued to sustain growth, benefiting from the country's strong demand for telecommunications equipment and services, which has been building up with China's accession to the WTO. In Europe, the Group's business was affected by weak market demand and strong competition. This was in part mitigated by the largely public sector nature of the Group's customers, whose IT budget had not been greatly reduced by the global economic slowdown.

In the UK, the Group has reinforced its leadership position as provider of mission critical communications services for the emergency and rescue services sectors, where over 60 per cent of the hospital market and over 85 per cent of the fire brigade services have chosen the Group as their communications services provider. New systems have been designed to minimize response times and to speed up the communication of emergency alarm information. This line of business has been growing steadily as there is general recognition that investment in public safety and emergency services systems amounts to investment in public confidence. These contracts are also characterized by the recurrent nature of revenue in the form of network maintenance and upgrade services.

In addition to an ongoing engagement to test and audit TETRA (Terrestrial Trunk Radio Access) wireless communications systems used by the Police Forces in the UK, the Group also won other new contracts in the public sector, including the supply of an emergency communications system for London Fire and Emergency Planning Authority.

During the period, new products and services focused on high-margin communications software customization, such as mobile data systems that provide vehicle location and Geographical Information System (GIS) technology. The Group has also been endorsed in the UK by the Wireless Messaging Association (WMA) as a recommended source of mobile data devices and subscriber equipment to all existing network operators.

The Group has commenced negotiation with a leading telecommunications equipment supplier for the transition of nationwide wireless messaging business in the US to the Group. Upon such transition, the Group will assume such supplier's role in the messaging industry as a provider of certain protocol-based devices. This new opportunity is part of the Group's Integrated Wireless Networking initiative, where investment will be made to enhance the Group's leading position in niche markets worldwide and to prudently expand its business beyond organic growth. The focus continues to be on advanced messaging and innovative knowledge-based systems for enterprise applications using cost-effective bandwidth solutions. New two-way communications products will enable the Group to offer low cost, improved telemetry and radio modules, which can be used for various applications, ranging from remote control of office equipment, vending machines, meter-reading, cargo tracking and vehicle location, to integration with multiple subscriber devices for enriched offerings. Detailed arrangements are being finalized.

In November 2001, the Group's UK subsidiary, Multitone Electronics, was awarded HSBC Exporter of the Year 2001. After extensive reviews and investigation, the panel of judges declared Multitone as "an inspiring example of a local business successfully competing in the global markets, driving the growth of UK exports." Multitone has 40 distributors around the world, which contributed around 35 percent of its business.