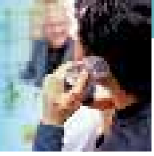
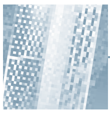


Management Discussion and Analysis

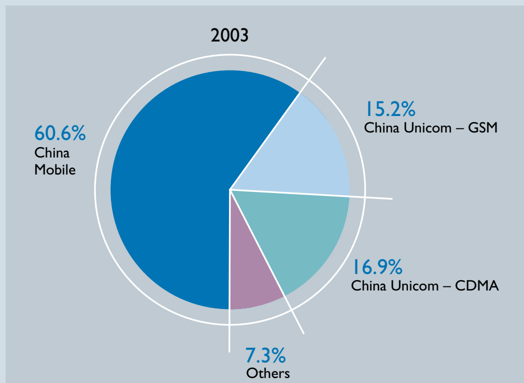


Business Review

Turnover of the Group for the year ended 31 December 2003 was HK$806,232,000, representing an increase of approximately 39.4% from the previous year. This increase was mainly attributable to overall increase in wireless coverage capital expenditure by the mobile operators to improve the quality of mobile network, thereby providing better services to the mobile subscribers amid fierce competition. While our revenue from China Mobile increased steadily by around 13.9%, we experienced a tremendous growth in revenue of 130.2% from China Unicom in 2003.

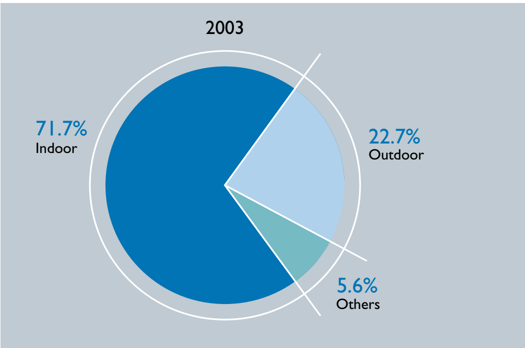
Revenue generated from China Unicom accounted for 32.1% of our revenue in 2003, up from 19.4% in 2002. We recorded revenue growth in both of the GSM and CDMA networks operated by China Unicom. As a result, revenue generated from China Mobile accounted for 60.6% of our revenue in 2003, down from 74.2% in 2002 in spite of a steady growth of 13.9% in absolute terms. Sales to agents and system integrators accounted for 7.3% of our revenue in 2003, up from 6.4% in 2002.

Turnover Breakdown by Customers



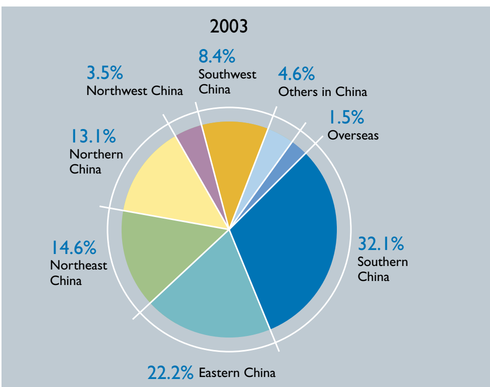
Indoor coverage solutions accounted for around 71.7% of the Group's revenue in 2003, compared to 65.8% in 2002. The share of outdoor coverage solutions decreased from 27.8% in 2002 to 22.7% in 2003.

Turnover Breakdown by Solutions



Geographically, Southern branch including Guangdong province is still the major revenue contributor of the Group, accounting for 32.1% of the Group's revenue. Eastern branch (covering Shanghai, Jiangsu and Zhejiang) and Northeast branch (covering Liaoning, Jilin and Heilongjiang) together accounted for 36.8% of our revenue.

Turnover Breakdown by Locations



Gross margin was 46.4% in 2003 compared to 46.6% in 2002. We were able to sustain the gross margin at this level thanks to our ability to develop and introduce new models regularly to meet market needs, increasing bargaining power with suppliers as a result of increased scale of operations, and continued efforts in exercising cost control. The above offset the general pricing pressure of our products.

In order to strengthen our R&D capability, we acquired a 51.8% interest in WaveLab Holdings Limited in 2003. Its wholly-owned subsidiary in the United States, WaveLab Inc, is principally engaged in the research and development of microwave transmission equipment. Development of digital microwave systems progressed steadily during 2003 although no revenue was generated from this product line yet.

Having established the market leader position in the PRC, we can leverage our position to expand overseas. In January 2003, we set up our first overseas sales office in Singapore which primarily focuses on the Southeast Asian market. As a result of increasing marketing efforts, we more than tripled our revenue from overseas markets.

The establishment of our new office in Singapore, coupled with the expansion of our services network in the PRC as well as an increase in headcount, contributed to the increase in the aggregate amount of selling and distribution costs and administrative expenses from HK$83,723,000 to HK$140,699,000, representing an increase of approximately 68.1%.

Profit attributable to shareholders for the year was HK$211,162,000, which represents a 30.1% increase from the previous year. However, due to the increase in operating expenses described above, net margin decreased to 26.2% from 28.1% in the previous year.

Prospects

The wireless telecommunications industry in the PRC has been experiencing steady growth. According to International Data Corporation, from 2002 to 2007, total wireless capital expenditure is expected to grow at a compound annual growth rate of 9.5% while total wireless coverage capital expenditure is expected to grow at an even faster pace of 20.6%. Given the projected stable growth of the industry and our increasing market share in the wireless coverage market, we believe that we will be able to sustain the revenue growth achieved in the past years.

Due to the continued growth in the PRC's economy, the number of mobile subscribers has been rapidly increasing in the PRC. Mobile subscribers demand better and better services, the two mobile operators in the PRC therefore continue to invest in network optimisation to improve the network quality.

The Group has benefited from the increasing capital expenditure in wireless coverage by the mobile operators. By the end of 2003, we had 47 provincial level customers and out of which 5 were new customers in 2003. This has broadened our geographical reach as well as our customer base and serve as a driver for future growth.

CDMA network optimisation project has been carried out in the PRC which aims at expanding the CDMA network coverage as well as indoor coverage, increasing wireless data capacity and optimising network quality. Therefore, the Group's sales in CDMA products and solutions have increased substantially and the Group believes that it will continue to benefit from this.

It is generally expected that 3G mobile licences will be issued in the PRC in the foreseeable future. The Group has already allocated resources, actively developing components and products which are related to 3G mobile standards. We expect that such development will enable the Group's products to meet the needs of the 3G networks operators.

In 2003, we gradually expanded overseas, starting business in various Southeast Asian countries, overseas sales therefore more than tripled. With the global telecom recovery and projected high growth in the emerging markets, we will be able to achieve a significant growth in overseas sales in 2004.

As a strategy to enlarge our product portfolio, we have diversified into the digital microwave system market. Through WaveLab Inc, the subsidiary in the US which we acquired in January 2003, we have developed certain models of digital microwave systems products. Pilot production has commenced and field trials are being conducted. We expect to generate revenue from this product line starting from the second half of 2004.

Looking ahead, the Group will continue to pursue the strategy of organic growth by establishing offices both in the PRC and Asia. At the same time, we will also search for any opportunities which can bring synergy to our existing operations. We remain to focus on our core competency in radio frequency technology.

We will continue to invest in enhancing our research and development capabilities and enlarging our production facilities to meet expected growth in demand for our products. Capital expenditure of the Group will be mainly funded by the net proceeds from its initial public offering in July 2003.

Finally, we will endeavour to maintain a solid and healthy financial position, consolidate our leading market position, and pursue our growth strategy, in order to maximise the shareholders' value.

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations from cashflow generated internally and bank loans. As at 31 December 2003, the Group had net current assets of HK$797,755,000. Current assets comprised inventories of HK$235,401,000, trade receivables of HK$320,895,000, prepayments, deposits and other receivables of HK$40,288,000, and cash and bank balances of HK$587,011,000. Current liabilities comprised trade and bills payables of HK$150,435,000, tax payables of HK$13,100,000, other payables and accruals of HK$138,432,000, current portion of finance lease payables of HK$232,000, short-term bank loans of HK$71,977,000, and provision for product warranties of HK$11,664,000.

The average debtors turnover for the year ended 31 December 2003 was 116 days, compared to 102 days for the year ended 31 December 2002. The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of three to six months. The inventory turnover for the year ended 31 December 2003 was 173 days compared to 161 days for the year ended 31 December 2002.

As at 31 December 2003, the Group's cash and bank balances were mainly denominated in Renminbi ("RMB"), Hong Kong dollars ("HK$") and United States dollars ("US$") while the Group's bank borrowings were mainly denominated in RMB and HK$. The Group's revenue and expenses, assets and liabilities are mainly denominated in RMB, US$ and HK$. Since the exchange fluctuations amongst these currencies are low, the directors consider there is no significant exchange risk.

The Group's gearing ratio, calculated as total debts (including short-term bank loans and finance lease payables) over total assets, was 5.5% as at 31 December 2003.

Contingent Liabilities

As at 31 December 2003, the Group had no significant contingent liabilities except for certain trade receivables factored with recourse as detailed in the financial statements (2002: Nil).

Employees and Remuneration Policies

As at 31 December 2003, the Group had approximately 2,260 staff. The total staff costs for the under review was HK$135,863,000. The Group offers competitive remuneration schemes to its employees based on industry practices as well as the employee's and the Group's performance. In addition, share options and discretionary bonuses are also granted to eligible staff based on the performance of each such employee as well as the Group.