

DIRECTORS' REPORT

The directors are pleased to present their report together with the audited accounts for the financial year ended 31st March 2001.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are shown in note 13 to the accounts. An analysis of the Group's turnover and operating (loss)/profit by principal activities is set out in note 3 to the accounts.

RESULTS AND DIVIDENDS

The results of the Group for the financial year ended 31st March 2001 are set out in the consolidated profit and loss account on page 24.

The directors declared an interim dividend of 1.0 cent per ordinary share, totalling HK\$4,668,860 which were paid on 9th January 2001.

The directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 21 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown in note 12 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2001 amounted to HK\$227,981,295 (2000: HK\$292,985,228).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 62.

SHARE CAPITAL

Details of the movement in share capital of the Company are shown in note 20 to the accounts.

DIRECTORS' REPORT *(Continued)*

DIRECTORS

The directors who held office during the year were:

Mr. Adrian Fu Hau Chak

Mr. David Miao

Mr. Fu Yum Chiu

Mr. George Ho

Mr. George Joseph Ho

Mr. Leung Kwok Kit

Mr. Michael Tse Chi Hung

Ms. Patricia Yeung Shuk Kwan

In accordance with Articles 103 and 104 of the Company's Articles of Association, Mr Fu Yum Chiu and Mr Leung Kwok Kit retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. None of the directors proposed for re-election has a service contract with the Company or its subsidiaries which is not determinable by the Company or its subsidiaries within a year without payment of compensation other than statutory compensation.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGERS

(a) Non-executive directors

Michael Tse Chi Hung, aged 68, is currently Chairman of the Group. He has been a director of ABC Communications Limited since 1971 and Managing Director of the Group from October 1984 to September 1998. Mr. Tse is a non-executive director of Hong Kong Commercial Broadcasting Company, Limited and H.C.B.C. Enterprises Limited which has discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company (please refer to the paragraph headed "Substantial shareholders' interests in the Company" below for details).

George Ho, O.B.E., JP, aged 82, is the founder of the Group. Mr. Ho is the Honorary Chairman of Hong Kong Commercial Broadcasting Company, Limited and Chairman of H.C.B.C. Enterprises Limited which has discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company (please refer to the paragraph headed "Substantial Shareholders' Interests in the Company" below for details). He has over 40 years' experience in the broadcasting and telecommunications fields. Mr. Ho is also a non-executive director of The Bank of East Asia, Limited, Jardine Matheson Holdings Limited and Hongkong Land Holdings Limited. Mr. Ho is the father of Mr. George Joseph Ho, an executive director of the Company.

DIRECTORS' REPORT *(Continued)*

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGERS *(Continued)*

(a) Non-executive directors *(Continued)*

David Miao, aged 89, has been a director of ABC Communications Limited since 1971. He is a non-executive director of H.C.B.C. Enterprises Limited which has discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company (please refer to the paragraph headed "Substantial shareholders' interests in the Company" below for details). Mr. Miao is also a non-executive director of Hong Kong Commercial Broadcasting Company Limited and Minolta Hong Kong Limited.

Fu Yum Chiu, aged 77, has been an independent non-executive director of the Company since September 1991. He is the Chairman of Kwong Hing Investment Co., Ltd. which is the controlling shareholder of the Kwong Hing Group of Companies. Kwong Hing Investment Co. Ltd. has investments in the tourism and textile industries as well as various property investments. He is the father of Mr. Adrian Fu Hau Chak, a non-executive director of the Company.

Adrian Fu Hau Chak, aged 53, has been an independent non-executive director of the Company since September 1991. He holds several executive positions on the boards of companies in Hong Kong and in South East Asia. He is the son of Mr. Fu Yum Chiu who is also a director of the Company.

Leung Kwok Kit, aged 55, joined ABC Communications Limited in 1977 and is currently a non-executive director of the Group. He is also a non-executive director of Hong Kong Commercial Broadcasting Company, Limited and of H.C.B.C. Enterprises Limited which has discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company (please refer to the paragraph headed "Substantial shareholders' interest in the Company" below for details). He is a fellow of the Hong Kong Society of Accountants and an associate of The Australian Society of Certified Practising Accountants and The Chartered Institute of Management Accountants.

(b) Executive directors

Patricia Yeung Shuk Kwan, aged 51, has been an executive director of the Group since March 1990 following thirteen years' association with ABC Communications Limited as a non-executive director. She is currently Managing Director and Company Secretary of the Company. She holds a Bachelor of Arts degree from the University of Hong Kong and is also a Chartered Secretary.

DIRECTORS' REPORT *(Continued)*

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGERS *(Continued)*

(b) Executive directors *(Continued)*

George Joseph Ho, aged 51, has been an executive director of the Group since October 1992. He holds a Bachelor of Arts degree from the University of California, Berkeley, a Master of Laws degree from New York University and a Doctoral degree in Jurisprudence from Harvard University. He was engaged in the private practice of law in San Francisco in the United States prior to his appointment. Mr. Ho is currently Chairman of Hong Kong Commercial Broadcasting Company Limited and Managing Director of H.C.B.C. Enterprises Limited which has discloseable interests under the provisions of Part II of the Securities (Disclosure of Interests) Ordinance in the Company (please refer to the paragraph headed "Substantial shareholders' interests in the Company" below for details). Mr. Ho also holds directorships in Dairy Farm International Holdings Ltd and United Chinese Bank. Mr. Ho is the son of Mr. George Ho, a director of the Company.

(c) Management team

Ted Sze Tsai Tack, aged 40, the founder and Chief Executive Officer of QuotePower International Limited, is a specialist in financial information technology. Mr. Sze brings with him a wealth of experience in the information technology and financial services industries, developed through his career with international corporations including Unisys, Telerate and the Chase Manhattan Bank. Prior to founding QuotePower International Limited, he was Managing Director of Harlow Butler Information (AP) Limited, overseeing all areas of the Company in Asia.

Joey Fan, aged 36, is the co-founder and Chief Operating Officer of QuotePower International Limited. Mr. Fan has over 13 years' experience in the financial information technology industry, having held key positions at Reuters and Telerate. At Telerate he built the company's trading room system business into the market leader in Asia-Pacific. Mr. Fan holds a Master of Engineering degree from Cornell University.

Vincent Ng Kwok Wah, aged 30, is the Finance and Administration Manager of the Group. He graduated from Hong Kong Polytechnic University with a bachelor degree (Honours) in Accountancy. An associate member of the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants, Mr. Ng has eight years' experience in audit and finance. He joined the Group in November 1999 and is responsible for overseeing the accounting, finance and corporate functions of the Group.

EMPLOYEE SHARE OPTION SCHEME

A share option scheme applicable to full-time employees of the Group was established in September 1991 and the main terms of the scheme are as follows:

- (a) The directors may, at their discretion, invite full-time employees of the Group, including executive directors, to take up options to subscribe for shares of the Company.

DIRECTORS' REPORT *(Continued)*

EMPLOYEE SHARE OPTION SCHEME *(Continued)*

- (b) The exercise price of any options to subscribe for shares of the Company in respect of which options are granted will be the higher of (i) the nominal value of the shares and (ii) 80 percent of the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date of offer of the option.

Each share option entitles the holder to subscribe for one share of HK\$0.1 each in the Company. Details of outstanding share options as of 31st March 2001 granted to and accepted by the directors of the Company are as follows:

Name of director	Date of share options granted	Unexercised options as at 31st March 2001	Exercise price HK\$	Exercise period
Ms Patricia Yeung Shuk Kwan	23rd February 2000	1,000,000	1.41	23rd March 2000 to 22nd February 2010
	23rd February 2000	1,000,000	1.41	23rd February 2001 to 22nd February 2010
Mr George Joseph Ho	23rd February 2000	250,000	1.41	23rd March 2000 to 22nd February 2010
	23rd February 2000	250,000	1.41	23rd February 2001 to 22nd February 2010

No options were exercised by the directors during the year.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS

At 31st March 2001, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as notified to the Company were as follows:

Name	Number of Ordinary Shares			Total interests
	Personal interests	Corporate interest	Family interests	
George Ho	14,222,000	259,661,600 (i)	–	273,883,600
Michael Tse Chi Hung	12,160,006	–	–	12,160,006
Patricia Yeung Shuk Kwan	4,950,400	–	–	4,950,400
Leung Kwok Kit	1,906,600	–	1,400,000	3,306,600
George Joseph Ho	3,336,000	–	–	3,336,000

Note: (i) H.C.B.C. Communications (International) Limited and its parent, H.C.B.C. Enterprises Limited, together held 259,661,600 shares of the Company. Mr George Ho is deemed to be interested in the voting shares of H.C.B.C. Communications (International) Limited and H.C.B.C. Enterprises Limited as a result of his holdings in H.C.B.C. Enterprises (BVI) Limited, the ultimate holding company of H.C.B.C. Enterprises Limited.

As at 31st March 2001, the directors' interests in associated corporations of the Company (within the meaning of the "SDI Ordinance") were as follows:

- (a) Mr George Ho held 18,112 non-voting "B" shares in H.C.B.C. Communications (International) Limited. H.C.B.C. Enterprises Limited held all the issued 312,000 "A" voting shares and 11,474 non-voting "B" shares in H.C.B.C. Communications (International) Limited.
- (b) Mr George Ho was beneficially interested in 100,000 Management Shares and 795,600 Ordinary Shares in H.C.B.C. Enterprises (BVI) Limited. Mr George Ho was beneficially interested in 32.40 per cent in the issued share capital of Goddard & Company Limited. Goddard & Company Limited held 5,000 Management Shares and 933,250 Ordinary Shares of H.C.B.C. Enterprises (BVI) Limited. H.C.B.C. Enterprises (BVI) Limited held all the issued share capital of H.C.B.C. Enterprises Limited.

DIRECTORS' REPORT *(Continued)*

DIRECTORS' INTERESTS *(Continued)*

- (c) Those directors set out below were personally interested in the following numbers of non-voting Deferred Shares in the capital of ABC Communications Limited, a subsidiary of the Company:

Name	Number of Deferred Shares
George Ho	10,605 (i)
Michael Tse Chi Hung	11,642
Patricia Yeung Shuk Kwan	4,000
Leung Kwok Kit	5,900

Note: (i) Mr George Ho also held corporate interests through H.C.B.C. Enterprises Limited in 190,690 non-voting Deferred Shares in the capital of ABC Communications Limited.

Save as disclosed in the above paragraphs, as at 31st March 2001 none of the directors or any chief executive of the Company or any of their spouse or children under the age of 18 years had any (nor was deemed under the "SDI Ordinance" to have any) interests in the securities of the Company or any associated corporation (within the meaning of the "SDI Ordinance") which were required to be entered in the register kept by the Company pursuant to the "SDI Ordinance".

Except for the connected transaction as detailed below, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, with the exception of the Employee Share Option Scheme, details of which are described above.

DIRECTORS' REPORT *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31st March 2001, the only person (other than the directors and the chief executive of the Company) having an interest of more than 10 per cent in the issued share capital of the Company as recorded in the register kept by the Company pursuant to Section 16(1) of the "SDI Ordinance" was as follows:

Name	Number of Ordinary Shares held
H.C.B.C. Enterprises (BVI) Limited	259,661,600

Note: For the avoidance of doubt and double counting, it should be noted that the above shareholding has already been included in the shareholding stated against Mr George Ho shown above under Directors' Interests.

Save as disclosed herein, there is no person known to the directors who, as at 31st March 2001, was directly or indirectly interested in 10 per cent or more of the nominal value of any class of share capital of the Company which are required to be recorded in the register kept under section 16(1) of the SDI Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's securities during the year and the Company has not redeemed any of its securities during the year.

PRE-EMPTIVE RIGHTS

No pre-emptive rights exist under the laws of Bermuda in relation to issues of new shares by the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' REPORT *(Continued)*

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of the Group's purchases and sales for the year attributable to major suppliers and customers are as follows:

Purchases

– the largest supplier	31%
– five largest suppliers combined	58%

Sales

– the largest customer	16%
– five largest customers combined	34%

No directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's issued share capital) had an interest in the major suppliers or customers noted above.

LIQUIDITY AND CAPITAL STRUCTURE

As at 31st March 2001, the Group had cash and bank balances in the amount of HK\$150 million of which HK\$107 million had been pledged to secure a Taiwan dollar loan. Banking facilities in the sum of HK\$40 million had also been secured during the year against the pledge of a property as collateral. The Group's total debts stood at HK\$129.6 million at the end of the fiscal year and the ratio of total debts to total capital employed was 30%. All bank loans outstanding at the year-end were denominated in foreign currencies to minimize our foreign exchange risk exposure over our investments in Taiwan and Japan respectively.

	2001		2000	
	<i>HK\$</i>	%	<i>HK\$</i>	%
Bank Loans	129,608,500	30	–	–
Shareholders' equity	303,033,508	70	384,921,400	100
Total Capital Employed	432,642,008	100	384,921,400	100

EMPLOYEE REMUNERATION POLICY

As at 31st March 2001, the Group had 200 employees, compared to 109 in 2000. Total salaries and related costs incurred for the year ended 31st March 2001 amounted to HK\$44 million. The Group's remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees.

DIRECTORS' REPORT *(Continued)*

ANALYSIS OF GROUP PERFORMANCE AND FINANCIAL POSITION

Except for those matters discussed in the Chairman's Statement and the Directors' Report, matters set out in Appendix 16 Paragraph 32 of the Rules Governing the Listing of Securities have not changed materially from the information disclosed in the most recently published annual report.

CORPORATE GOVERNANCE

During the year, the Company was in compliance with the Code of Best Practice as set out in the Listing Rules of The Stock Exchange of Hong Kong Limited except that the independent non-executive directors of the Company were not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-laws.

CONNECTED TRANSACTION

Significant related party transactions entered by the Group during the year ended 31st March 2001, which constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited of the Stock Exchange of Hong Kong Limited ("Listing Rules"), are as follows:

- (1) On 20th May 2000, the Company provided a loan facility of HK\$40,000,000 to a wholly owned subsidiary at the time, QuotePower International Limited ("QPI"), for the purpose of financing QPI's general working capital requirements. The facility is interest free and is repayable on demand made by the Company. QPI subsequently became a 96.67% owned subsidiary of the Company upon the issuance and placing of shares following the acquisition of a business from Unitech Systems (Asia) Limited and Unitech Information Service (Thailand) Company Limited in June 2000 and from Unitech Systems Philippines, Inc. ("UP") and Mr. Pien Mo-Liang ("Al Bien") in November 2000. As at 31st March 2001, QPI has drawn down HK\$36,194,294 under the facility.
- (2) On 21st November 2000, QPI and its wholly owned subsidiary, QPI (Philippines) Inc., entered into an agreement for the acquisition of a stock and commodities information services and products business in the Philippines from UP and Al Bien at a consideration of US\$500,000 (or approximately HK\$3.89 million) with a view to expanding QPI's business in overseas markets.

UP is beneficially owned by Al Bien who is also a shareholder holding, at the time, a 0.96% interest in the share capital of QPI and a director of a subsidiary of QPI. This is a connected transaction by virtue of Al Bien's shareholding in UP and is also a related party transaction.

DIRECTORS' REPORT *(Continued)*

CONNECTED TRANSACTION *(Continued)*

- (3) On 3rd February 1997, ABC Communications Limited (the “Licensee”), a wholly-owned subsidiary of the Company, entered into a licensing agreement (the “Agreement”) with Payview Limited (the “Licensor”). The Licensor is owned as to 87 per cent by the H.C.B.C. Enterprises Limited (“HCBC”), the Company’s major shareholder, 5 per cent by the Licensee, 7 per cent beneficially by Mr George Ho, a director of the Company who is also deemed to be interested in the voting shares of HCBC, and 1 per cent by independent third parties not associated with the Company, its chief executive, any director or substantial shareholder of the Company or any of its subsidiaries or their respective associates.

Under the Agreement, the Licensor granted to the Licensee a licence for a term of five years to, inter alia, (i) use the high-speed data transmission system known as “QuickSilver”, employing the Licensed Software (as defined below) (the “System”) and the computer program owned and/or designed and written by the Licensor and which was for use in connection with the System (the “Licensed Software”); (ii) authorise third parties approved by the Licensor to manufacture the data receiving wireless device incorporating the Licensed Software (the “Equipment”) according to the technical specifications for the Equipment, to market information broadcasting and message sending services utilising the system and to sell the Equipment; and (iii) utilise the trade marks and confidential information in relation to the System.

The Agreement provided that if during the term of the Agreement, the Licensor developed any substantially updated or improved version of the Equipment, (i) the Licensor would notify the Licensee as practicable of the availability of any such version of the Equipment (ii) the Licensee would have the right to require the Licensor to provide to the Licensee the technical specifications for such updated or improved version of the Equipment (the “Right of First Refusal”). The Agreement also provided that the Licensor was entitled to charge a fee in respect of providing such updated or improved version of the Equipment to cover, inter alia, any development costs, the amount of which the parties would negotiate in good faith and agree at the relevant time, provided that failing such agreement, the Licensee’s Right of First Refusal would lapse.

The Agreement provided for a royalty payable by the Licensee to the Licensor as follows:

- (a) 5 per cent of the Net Subscription Income (as defined below) where such income was less than HK\$10 million per annum;
- (b) 10 per cent of the Net Subscription Income where such income was equal to or greater than HK\$10 million but less than HK\$15 million per annum;

CONNECTED TRANSACTION *(Continued)*

- (c) 15 per cent of the Net Subscription Income where such income was equal to or greater than HK\$15 million but less than HK\$20 million per annum;
- (d) 20 per cent of the Net Subscription Income where such income was equal to or greater than HK\$20 million but less than HK\$25 million per annum;
- (e) 25 per cent of the Net Subscription Income where such income was equal to or greater than HK\$25 million but less than HK\$30 million per annum; and
- (f) 30 per cent of the Net Subscription Income where such income was equal to or greater than HK\$30 million per annum.

Provided it was agreed that the aggregate royalties payable by the Licensee in the period up to 31st March 1998 would not in any event exceed HK\$14.5 million.

Net Subscription Income was defined in the Agreement as the licensee's gross subscription revenue from the sale of the Equipment and after deduction of all fees payable by the Licensee to providers of information used in connection with the Services but before deducting promotional, marketing or any other expenses incurred by the Licensee in connection with the Services.

Following execution of the Agreement, services were launched on 5th March 1997. With effect from 1st April 1997, the Licensee allowed a fellow subsidiary, ABC Financial Information Services Limited ("ABCFIS"), to use "QuickSilver" on the condition that the royalty to the Licensor will be borne by ABCFIS. The aggregate royalties paid and payable to the Licensor for the year ended 31st March 2001 were HK\$212,783 (2000: HK\$315,239).

This is a connected transaction by virtue of HCBC's shareholding in the Licensor and is also a related party transaction.

DIRECTORS' REPORT *(Continued)*

AUDIT COMMITTEE

In compliance with the requirements of The Stock Exchange of Hong Kong Limited, an audit committee was formed in 1999. The committee comprises three non-executive directors and reports to the Board of directors. The audit committee reviews matters within the scope of audit, such as financial statements and internal control, to protect the interests of the Company's shareholders. Two meetings were held during the current financial year.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board
Michael Tse Chi Hung
Chairman

Hong Kong, 13th July 2001