

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The loss of HK\$45.7 million attributable to shareholders for the whole fiscal year showed an improvement over the mid-year results of a loss of HK\$48.6 million. This is largely due to net investment gains of a total of HK\$16.8 million realized from our partial disposal of some of our telecommunications holdings as well as an unrealized profit of HK\$13.8 million on the revaluation of a telecommunications investment.

As the operating environment for paging and Internet services continues to deteriorate, our Group decided to write off the remaining carrying cost of our investments in SaveCom of Taiwan in entirety in the interests of prudence. A provision of HK\$12.1 million has accordingly been made in our profit and loss account for the year ended 31st March 2002.

FINANCIAL QUOTATIONS AND SECURITIES TRADING SYSTEM LICENCING

QuotePower International Limited, in which we hold 96.66%, reported a loss of HK\$31.4 million for the whole year, including an aggregate of HK\$9.8 million for one-time write-offs consequent upon the re-structuring of the company.

In view of the sluggish take-up of on-line trading in Hong Kong and South East Asia, our Group decided to put on hold the development of next-generation trading systems for the high-end market and as a result closed all overseas development centers under QuotePower in September of the last calendar year. The subsidiary companies in the Philippines and Thailand were also disposed of towards the end of last year. The strategic focus of QuotePower will in the near term be re-directed to our core Information Products while our existing trading systems will continue to be supported and enhanced. Throughout the latter half of the fiscal year and even after September 11, the subscriber base of our Information Products has remained stable. Meanwhile, the staff and rental overheads of QuotePower have since the restructuring been substantially reduced. Although these savings were not yet fully reflected in the second half of our results due to continuing contractual obligations, severance payments and asset write-offs, we are pleased to note that QuotePower already achieved break-even in its operating cashflow on a month-to-month basis towards the end of the fiscal year. We are confident that with our planned new products roll-out and the continued improvement of network performance, additional revenue streams will be generated and operating efficiency will be further enhanced. QuotePower's financial results for the coming year will show a very significant improvement, and we do not expect any substantial funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FACILITIES MANAGEMENT CONSULTANCY AND TECHNOLOGY SERVICES

Our 66.67% subsidiary, Lexos Limited, reported a significant revenue increase of 404% to HK\$2.8 million as compared to the previous year, since several contracts were successfully secured during the year with leading companies and universities in the territory. We are confident that Lexos will be able to expand its customer base and revenue streams as the economy gradually recovers and corporations slowly resume their technology investments. We do not expect any further funding exposure to Lexos in the coming year.

WIRELESS APPLICATIONS DEVELOPMENT

ABC QuickSilver, our 80% subsidiary in the business of wireless applications development, completed two PDA development projects during the year. An enterprise solution, FM MOBILE, allows job orders to be remotely despatched to mobile workers and job reports to be remotely filed by field staff; and enables maintenance staff to instantaneously report faults and defects on patrol tours. This solution is already being implemented by customers with substantial portfolios of properties or facilities. We expect a modest but steady flow of revenue from this software product in the coming year. Another development, related to financial quotations on the wireless PDA, will also be rolled out in coming months. Meanwhile, a number of initiatives have been taken by ABC QuickSilver to explore business opportunities in the area of mobile entertainment and mobile marketing.

Although modest losses will still be incurred by ABC QuickSilver at this market development stage, we believe our team, with its unrivalled knowledge, expertise and experience in wireless technologies, will be in an advantageous position to tap the potential of the wireless data market.

INVESTMENTS

During the year, our Group also made a number of disposals to improve our cashflow and strengthen our balance sheet.

ABC NET, which made a loss of HK\$11.8 million in the first nine months of the fiscal year under review, was sold down at the end of last year. Although our Group will continue to hold a minority interest of 18% in the company in consideration of the equipment already invested by us, our financial obligations to the company have ceased since the disposal.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

INVESTMENTS (cont'd)

EasyCall International Limited, a group in which we have invested for more than a decade, underwent a change of control during the year. The new management team plans to gradually migrate the company from a provider of paging and Internet data centers to a provider of education services. Before the end of the fiscal year, our Group disposed of our entire remaining shareholdings in EasyCall for a total sum of HK\$3.3 million and at a slight loss of HK\$1 million.

Due to partial disposals of our cellular investments in SmarTone of Hong Kong and Far Eastone of Taiwan, our Group realized investment gains for an aggregate sum of HK\$17.8 million. At the end of 31st March 2002, a total of 6,994,028 Far Eastone shares were still held by our Group directly. These are deemed as short-term investments in our balance sheet and, upon revaluation in compliance with standard accounting rules, contributed an unrealized profit of HK\$13.8 million to our profit and loss account for the year. A further number of 19,426,395 Far Eastone shares indirectly held by our Group at 31st March 2002 through a joint-venture vehicle were carried at cost at HK\$42.5 million in our Balance Sheet.

At the end of our fiscal year, the Group has invested a total of HK\$21.4 million in a Wireless Internet Fund which was carried at cost in our Balance Sheet. Our 1.89% investment in e-Access, a Japanese broadband provider, was also valued at cost at HK\$33.5 million at the end of the fiscal year. e-Access has been doing extremely well. As a result of its announced merger with the consumer ADSL operations of its largest shareholder, Japan Telecom, e-Access will become Japan's largest Competitive Local Exchange Carrier and the second largest broadband carrier after NTT. We expect to reap handsome returns from this investment in the not too distant future.

LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT

Our Group maintains a conservative approach to cash management and risk controls. To achieve better risk controls and efficient fund management, our Group's treasury activities are centralised. More than 90 per cent of our receipts and payments are in Hong Kong dollars. Cash and bank balances are mainly denominated in either Hong Kong dollars or United States dollars. Cash is generally placed in short term deposits denominated in either Hong Kong or United States dollars. As at 31st March 2002, our Group had cash and bank balances of HK\$111.3 million of which HK\$57.3 million had been pledged to secure a Taiwan dollar loan. Our Group had banking facilities of HK\$91.8 million of which HK\$86.1 million had been utilised. Our Group's total debts stood at HK\$86.1 million at the end of the year and the ratio of total debts to total capital employed was 25%. 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. The bank loans are repayable within one year and bear interest at prevailing market rates.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT (cont'd)

	31st March 2002		31st March 2001	
	HK\$	%	HK\$	%
Bank loans	86,130,641	25	129,608,500	30
Shareholders' equity	254,682,256	75	303,033,508	70
Total capital employed	<u>340,812,897</u>	<u>100</u>	<u>432,642,008</u>	<u>100</u>

PLEDGE OF ASSETS

As at 31st March 2002, a property in Hong Kong with a carrying value of HK\$41.6 million and time deposits amounting to HK\$57.3 million were pledged to secure general banking facilities granted to our Group.

CONTINGENT LIABILITIES

Apart from an outstanding funding commitment of up to HK\$17.6 million to a Wireless Internet Fund, our Group has no material contingent liabilities.

EMPLOYEE REMUNERATION POLICY

As at 31st March 2002, our Group had approximately 50 employees as compared to 200 at the beginning of the fiscal year. Total salaries and related costs incurred for the year ended 31st March 2002 amounted to HK\$41.3 million. These costs were significantly reduced towards the last quarter of the fiscal year and stood at approximately HK\$1.5 million per calendar month. Our remuneration policies are in line with prevailing market practices and formulated on the basis of the performance and experience of individual employees. Apart from basic salaries, other staff benefits included provident funds and medical schemes. The Company may also grant share options to eligible employees to motivate their performance and contribution to our Group and details are described in the Report of Directors.