

# Management Discussion and Analysis

## BUSINESS UNITS

Turnover of our financial technology group, QuotePower International Limited ("QuotePower"), surged by 62.7% due to a robust stock market and the acquisition of new corporate clients during the year. The unit made a modest profit of HK\$1.5 million for the year and we are optimistic that its financial performance should continue to improve barring a prolonged slump of the stock market.

We saw a pick-up of sales in ABC QuickSilver Limited, thus narrowing its loss for the fiscal year to HK\$1.9 million. We are hopeful that its sales momentum will continue to accelerate and that this business unit will be able to be self-financed in the not too distant future. Our continued involvement in the wireless space is of strategic value to the Group – providing us with a better understanding of the evolving technologies and the dynamics of the marketplace.

## TELECOMMUNICATIONS INVESTMENTS

During the first-half of the fiscal year, our Group made partial disposals of our holdings in eAccess Ltd. ("eAccess"), with a net profit of approximately HK\$20.7 million being realised. The remaining holdings in eAccess were valued at approximately HK\$111.3 million in the balance sheet of the Company as at 31st March 2006. Our Group also sold our last remaining holdings in Far Eastone Telecommunications Company Limited ("Far Eastone") during the year and posted a gain of approximately HK\$2.8 million.

An unrealised exchange loss of approximately HK\$11.9 million was incurred over our investments in Japan due to the weakness of the Japanese Yen at our balance sheet date. This sum is fully charged to the income statement for the year under review and has adversely impacted on our net profit.

In line with investment losses realised by the Wireless Internet Fund over some of its investees, we have provided in our income statement a sum of HK\$4 million over the impairment of value of our holdings in the Fund. We however have been given to believe that when the Fund starts to exit from its more successful ventures in the near future, our losses to date could be largely offset by our attributable gains.

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## LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT

At the end of our fiscal year under review, the Group maintains a conservative approach to cash management and risk controls. To achieve better risk controls and efficient fund management, the Group's treasury activities are centralized. More than 90% of our receipts and payments are in Hong Kong dollars. Cash and bank balances are placed in deposits denominated in either Hong Kong or United States dollars. As at 31st March 2006, the Group had cash and cash equivalents, short-term deposits with original maturity more than 3 months and pledged deposits of approximately HK\$91 million, HK\$9 million and HK\$82 million respectively. The pledged deposits were to secure three Japanese Yen loans equivalent to approximately HK\$71.2 million (translated at the then prevailing exchange rate) at the end of the fiscal year. All bank loans are denominated in Japanese Yen and bear interest at prevailing market rates. The Japanese Yen loans were taken out to minimize the currency exposure risks of our Japanese investments and to take advantage of the rate differential between our US dollar deposits and the Japanese Yen loans.

	31st March 2006		31st March 2005	
	HK\$	%	HK\$	%
Bank loans	<b>71,178,983</b>	<b>18</b>	42,541,305	10
Total equity	<b>318,171,446</b>	<b>82</b>	395,175,229	90
Total capital employed	<b>389,350,429</b>	<b>100</b>	437,716,534	100

## PLEDGE OF ASSETS

As at 31st March 2006, time deposits amounting to HK\$82 million were pledged to secure Japanese Yen loans of HK\$71.2 million granted to the Group.

A further Japanese Yen loan of approximately HK\$17.3 million was drawn down subsequent to the year-end, and the total amount of deposits pledged has been increased to HK\$106.8 million.

## CAPITAL COMMITMENTS

As at 31st March 2006, the Group had an outstanding funding commitment of up to HK\$3.9 million to a Wireless Internet Fund.

## CONTINGENT LIABILITIES

As at 31st March 2006, the Group had no material contingent liabilities.

## EMPLOYEE REMUNERATION POLICY

As at 31st March 2006, the Group had 42 employees. Total salaries, commissions, incentives and all other staff related costs incurred for the year ended 31st March 2006 amounted to approximately HK\$12.3 million. 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 the Group and details are described in the Directors' Report.