



Telecommunications

Moves towards diversification into telecommunications business have begun to bear fruit with KGT becoming one of the major profit contributors to the Group. Investments in various IT companies with high-growth potential have enabled the Group to lay a solid foundation in further developing high-growth businesses and to broaden its revenue base.



Telecommunications business in Taiwan

One of the major moves of the Group towards diversification into high-growth businesses was the acquisition, completed on 29 April 2000, of a 10.02% equity interest in KG Telecommunications Co., Ltd. ("KGT"), one of the largest cellular service providers in Taiwan. Due to the significant influence the Group can exercise on KGT, it has been treated as an associate of the Group.

During the year under review, KGT had made considerable profit contribution to the Group, and there had been a significant growth in subscriber base. KGT is the first cellular service operator in Asia to launch the general packet radio services (GPRS) in September 2000. The growth in number of

subscribers attributable to GPRS was slightly less than expected as there were not sufficient compatible handsets after the launching of GPRS.

Other significant investments held

In line with the Group's diversification into high-technology businesses, the Group invested in companies with high-growth potential, as detailed below.

In April 2000, the Group acquired a 51% equity interest in OneMore Inc., a company incorporated in Taiwan, which is an advanced interactive multimedia solution provider established in 1999. A small amount of loss after the Group's acquisition was incurred by this subsidiary.

The Group acquired, also in April 2000, a minority equity interest in Gigamedia Limited ("Gigamedia"), a company

incorporated in Singapore and whose shares are listed in NASDAQ.

Gigamedia is the first and leading provider of broadband internet access services and Chinese content in Taiwan, and its acquisition is in anticipation of synergy with the services rendered by KGT. A provision of HK\$17.8 million was made by the Group for impairment in the value of these shares.

In June 2000 the Group invested in a 5.1% equity interest in KGEx.com Co., Ltd. ("KGEx"), a newly incorporated Taiwanese company engaged in the provision of data centre, internet dial-up and broadband data value-added services in Taiwan, in which KGT also has a 50% interest. KGEx already began producing positive earnings in its first few months of operations in 2000.