

Management Discussion and Analysis

OPERATING BUSINESSES

QuotePower, a provider of financial data and on-line trading solutions, incurred a small loss of about to HK\$1.5 million during the fiscal year, on a turnover of approximately HK\$21.8 million. Its revenue has increased by about 11.8% and losses have narrowed by 49.7%, as compared to the preceding year. Although the market for financial data remains quite competitive, QuotePower has managed to build up a solid customer base and revenue stream, with a good mix of subscribers from the corporate as well as retail markets. Subject to the financial markets remaining buoyant, we believe QuotePower's financial performance should continue to improve.

ABC QuickSilver, a subsidiary focused on wireless applications development, reported a loss of HK\$3.9 million for the year ended 31st March 2004. We do not expect an acceleration in the take-up of wireless data in the near-term. Steps have been taken after the end of the fiscal year to reduce the operating overheads, and cost savings of at least 30% are expected for the year ended 31st March 2005.

TELECOMMUNICATIONS INVESTMENTS

During the year, our Group disposed of an aggregate of 924,000 shares in Hong Kong cellular operator SmarTone, resulting in a net profit of HK\$6.9 million and 16,535,314 shares in Taiwan cellular operator Far Eastone at an average price of NTD25.2, realizing a net profit of approximately HK\$53.2 million.

At the year-end, our Group's remaining holdings in Far Eastone, amounting to 14,729,236 shares, were valued at the investment cost of HK\$22.6 million in our accounts. The market value of these shares stood at approximately HK\$105.2 million at our year-end. Subsequent to the year-end, our Group disposed of a further 2,500,000 shares in Far Eastone on the market at an average price of NTD32.1. These divestments produced total sales proceeds of approximately HK\$18.8 million and a net profit of approximately HK\$14.9 million over our investment cost.

SaveCom, a Taiwan paging and Internet company in which the Group has invested a cumulative sum of about HK\$32.4 million, is finally showing signs of a turnaround. The entire investment in SaveCom has already been written off in our accounts due to its heavy losses in the early years and any future gains from this investment will be written back as profits.

Our investment in Japanese broadband operator, eAccess, in the aggregate sum of about HK\$42.6 million, is beginning to bear fruit. Since the listing of the company on the MOTHERS board of the Tokyo Stock Exchange last year, its share price has increased several fold. Our holdings were worth approximately HK\$163.9 million at the year-end. At its current growth rate, we expect eAccess to generate excellent returns to our Group in due course.

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As at 31st March 2004, our Group had made a cumulative investment of approximately HK\$29.2 million in a Wireless Internet Fund. A provision of close to HK\$1 million was made in the accounts for the year under review. Our total write-offs since the inception of the Fund amounted to HK\$10.1 million, and our investment in the Fund was valued at HK\$19.1 million as at 31st March 2004. The investees of the Fund have all been adversely affected by the worldwide under-performance of wireless data and the downturn of financial markets in recent years. We nonetheless believe those companies that have survived to date should now be in a better position to build a sustainable business case, amid a less competitive environment, and with much reduced overheads.

LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT

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 mainly placed in short term deposits denominated in either Hong Kong or United States dollars. As at 31st March 2004, the Group had cash and bank balances of approximately HK\$164.7 million of which HK\$51.1 million had been pledged to secure a Japanese yen loan equivalent to approximately HK\$43.7 million (translated at the then prevailing exchange rate) at the end of the year. All bank loans are denominated in Japanese yen, repayable within one year and bear interest at prevailing market rates.

	31st March 2004		31st March 2003	
	HK\$	%	HK\$	%
Bank loans	43,669,579	15	41,980,652	17
Shareholders' equity	244,448,698	85	208,501,073	83
Total capital employed	288,118,277	100	250,481,725	100

PLEDGE OF ASSETS

As at 31st March 2004, time deposits amounting to HK\$51.1 million were pledged to secure a Japanese yen loan of approximately HK\$43.7 million granted to the Group.

CONTINGENT LIABILITIES

Apart from an outstanding funding commitment of up to HK\$9.7 million to a Wireless Internet Fund, the Group has no material contingent liabilities.

EMPLOYEE REMUNERATION POLICY

As at 31st March 2004, the Group had approximately 50 employees. Total salaries and related costs incurred for the year ended 31st March 2004 amounted to HK\$13.9 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 Report of Directors.