

# Management Discussion and Analysis

## BUSINESS UNITS

QuotePower International Limited ("QuotePower"), a provider of financial information services, made good progress during the fiscal year, resulting in a slight gain of HK\$227,400 before depreciation. Net loss after depreciation amounted to HK\$299,800, an improvement of 87% as compared to a loss of HK\$2.22 million in the preceding year. We are confident that with its strong position among corporate clients and a continuing focus on customer service, QuotePower should be able to grow steadily as the Hong Kong stock market continues to strengthen its appeal to international investors.

ABC QuickSilver Limited, a provider of wireless solutions and applications, incurred a loss of HK\$2.9 million during the fiscal year as compared to a loss of approximately HK\$4 million in the previous year. Although the sales momentum of wireless solutions still remains erratic, the recovery of business confidence should lead to a gradual pick-up of corporate spending on new technologies and a more favourable outlook for ABC QuickSilver Limited.

## TELECOMMUNICATIONS INVESTMENTS

During the first-half of the fiscal year, our Group made several disposals of our remaining holdings in Far EasTone Telecommunications Co., Limited ("Far EasTone"), with a net profit of approximately HK\$88.47 million being realized as reported in the accounts.

eAccess Limited ("eAccess"), a Japanese broadband company in which our Group holds approximately 1.75%, reported earnings of approximately US\$90 million for the year ended 31st March 2005, a rise of 75% from that of the previous year. The company has transferred its listing from the MOTHERS board to the First Section of the Tokyo Stock Exchange since November 2004. In accordance with the new accounting policy adopted by our Group in the year ended 31st March 2005, our holdings in eAccess were re-valued at the year-end from our investment cost of approximately HK\$41.5 million to the then market price of approximately HK\$157.3 million. This revaluation has been duly reflected in our balance sheet for the fiscal year under review. At the date of this Report, our holdings in eAccess have a market value of approximately HK\$122 million.

Our holdings in the Wireless Internet Fund showed an unrealized loss of \$1.5 million at the year-end, which has been posted to the investment revaluation reserve of the balance sheet.

## LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT

Consequent upon our adoption of Hong Kong Accounting Standard No. 39, our telecommunications investments have been re-designated as available-for-sale financial assets. These assets will be revalued at each balance sheet date, with any unrealized gains and losses arising from changes in the fair value of the assets recognized in the investment revaluation reserve of the balance sheet. At the end of our fiscal year under review, net unrealized investment gains of approximately HK\$117.3 million have been posted to the investment revaluation reserve. This sum arose from the appreciation in value of our holdings in eAccess and our remaining shares in SmarTone Telecommunications Limited and Far EasTone Telecommunications Co., Limited, after taking into account the unrealized loss of our holdings in the Wireless Internet Fund. The net assets of the Group as a result rose from HK\$244.45 million in 2004 to HK\$391.21 million at the balance sheet date of the year under review.

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## LIQUIDITY, CAPITAL STRUCTURE AND TREASURY MANAGEMENT (CONTINUED)

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 2005, the Group had cash and bank balances of approximately HK\$211.7 million of which HK\$51.6 million had been pledged to secure a Japanese yen loan equivalent to approximately HK\$42.5 million (translated at the then prevailing exchange rate) at the end of the fiscal year. All bank loans are denominated in Japanese yen, repayable within one year and bear interest at prevailing market rates.

	31st March 2005		31st March 2004	
	HK\$	%	HK\$	%
Bank loans	<b>42,541,305</b>	<b>10</b>	43,669,579	15
Shareholders' funds	<b>391,213,467</b>	<b>90</b>	244,448,698	85
Total capital employed	<b>433,754,772</b>	<b>100</b>	288,118,277	100

## PLEDGE OF ASSETS

As at 31st March 2005, time deposits amounting to HK\$51,589,072 were pledged to secure a Japanese yen loan of HK\$42,541,305 granted to the Group.

## CAPITAL COMMITMENTS

As at 31st March 2005, the Group had an outstanding funding commitment of up to HK\$5,832,000 to a Wireless Internet Fund.

## CONTINGENT LIABILITIES

As at 31st March 2005, the Group had no material contingent liabilities.

## EMPLOYEE REMUNERATION POLICY

As at 31st March 2005, the Group had 43 employees. Total salaries and related costs incurred for the year ended 31st March 2005 amounted to approximately HK\$12.1 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.