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If you have sold or transferred all your shares in ABC Communications (Holdings) Limited, you should at once hand this Document and the accompanying form of acceptance and transfer to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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ABC COMMUNICATIONS (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 30)

**PROPOSED PRIVATIZATION OF
ABC COMMUNICATIONS (HOLDINGS) LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY PLATINUM SECURITIES COMPANY LIMITED ON BEHALF OF
H.C.B.C. ENTERPRISES LIMITED
FOR ALL THE ISSUED SHARE CAPITAL
IN ABC COMMUNICATIONS (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY H.C.B.C.
ENTERPRISES LIMITED AND THE EXCLUDED SHAREHOLDERS)**

Independent financial adviser to the Independent Board Committee

OSK Asia Capital Limited

A letter from the Board is set out on pages 5 to 10 of this Document. A letter from the Independent Board Committee containing its advice to the Affected Shareholders and the Affected Option-holder in respect of the Offers is set out on pages 11 to 12 of this Document. A letter from OSK Asia Capital containing its advice to the Independent Board Committee in respect of the Offers is set out on pages 13 to 42 of this Document.

18 July 2007

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DEFINITIONS

In this Document, unless the context otherwise requires, the following expressions have the following meanings:

“Accepting Option-holder”	the Affected Option-holder, if she accepts the Option Offer
“Accepting Shareholders”	the Affected Shareholders who accept the Share Offer
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Affected Option-holder”	Ms. Patricia Yeung Shuk Kwan
“Affected Options”	the 2,000,000 Options held by the Affected Option-holder
“Affected Shareholders”	Shareholders other than the Offeror and the Excluded Shareholders
“Affected Shares”	Shares other than those owned by the Offeror or by the Excluded Shareholders
“Announcement”	the announcement dated 16 April 2007 jointly issued by the Offeror and the Company in relation to the proposed privatization of the Company by way of a voluntary conditional general cash offer
“associate(s)”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“business day”	any day on which the Stock Exchange is open for transaction of business
“Closing Date”	Wednesday, 1 August 2007 or such later date as may be extended by the Offeror in accordance with the Takeovers Code
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	ABC Communications (Holdings) Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange

DEFINITIONS

“Concert Parties”	HCBC Communications, Mr. George Ho, Mr. George Joseph Ho, Mr. Michael Tse Chi Hung, Mr. Leung Kwok Kit, Ms. Joyce Leung, Ms. Jacqueline Leung, Mr. Christopher Tse Wing Kit, Mrs. Isabella Yu, Ms. Amy Miao Mei Yan, the Deemed Concert Parties and persons who are (or are presumed to be) acting in concert with the Offeror
“Deemed Concert Parties”	Mr. Richard Tang Yat Sun, Jardine Matheson & Company, Ltd., the executors of the estate of late Mr. Shum Wai Yau and Millenium Skyline Ltd.
“Directors”	directors of the Company
“Disclosure Period”	the period commencing six months preceding the date when the Announcement was made and ending on the Latest Practicable Date
“Disinterested Shareholders”	Shareholders other than the Offeror and the Concert Parties
“Document”	this offeree board circular in respect of the Offers issued by the Company to all Shareholders in accordance with the Takeovers Code
“Disinterested Shares”	Shares owned by the Disinterested Shareholders
“Excluded Shareholders”	HCBC Communications, Mr. George Ho and Mr. George Joseph Ho, whose Shares are not subject to the Share Offer
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 27 March 2002
“Expired Share Option Scheme”	the share option scheme adopted by the Company on 12 September 1991 and expired on 11 September 2001
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“Goddard”	Goddard and Company Limited, shareholder of HCBC BVI and HCBC Communications and 16.67% beneficially owned by Mr. George Ho as at the Latest Practicable Date
“Group”	the Company and its subsidiaries

DEFINITIONS

“HCBC BVI”	H.C.B.C. Enterprises (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability and the parent company of the Offeror
“HCBC Communications”	HCBC Communications (International) Limited, a company incorporated in the British Virgin Islands with limited liability which owns 52.59% of the issued share capital of the Company and in which the Offeror holds 100% of its ‘A’ voting shares and approximately 16.01% of its ‘B’ non-voting shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising Mr. Adrian Fu Hau Chak and Mr. Lester Kwok Chi Hang, both being independent non-executive directors of the Company, constituted to advise the Affected Shareholders and the Affected Option-holder in respect of the Offers
“Independent Third Parties”	independent third parties not being associates of the Offeror, nor any parties acting or presumed to be acting in concert with the Offeror
“Latest Practicable Date”	16 July 2007, being the latest practicable date prior to the printing of this Document for ascertaining certain information referred to herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer Document”	the offer document dated 11 June 2007 issued by or on behalf of the Offeror to all Shareholders in accordance with the Takeovers Code containing, amongst other things, the terms and conditions of the Offers and the forms of acceptance and transfer
“Offeror”	H.C.B.C. Enterprises Limited, a company incorporated in Hong Kong with limited liability
“Offers”	collectively, the Share Offer and the Option Offer
“Option”	an option to subscribe for one Share, granted pursuant to the Expired Share Option Scheme

DEFINITIONS

“Option Offer”	the voluntary conditional general cash offer for the Affected Options made by Platinum on behalf of the Offeror at HK\$0.010 per Option
“OSK Asia Capital”	OSK Asia Capital Limited (formerly known as Ernst & Young Corporate Finance Limited), a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offers
“Platinum”	Platinum Securities Company Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the financial adviser to the Offeror
“Pre-announcement Trading Day”	30 March 2007, being the last full trading day of the Shares prior to the suspension of trading of the Shares pending the issue of the Announcement
“Share Offer”	the voluntary conditional general cash offer for all the issued Shares (other than those owned by the Offeror and the Excluded Shareholders) made by Platinum on behalf of the Offeror at HK\$0.580 per Affected Share
“Shareholders”	holders of the Shares
“Shares”	existing ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers

LETTER FROM THE BOARD



ABC COMMUNICATIONS (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 30)

Executive Directors:

Mr. George Joseph Ho
Mr. Joey Fan
Ms. Patricia Yeung Shuk Kwan

Registered office:

Clarendon House,
2 Church Street
Hamilton HM11
Bermuda

Non-executive Directors:

Mr. Michael Tse Chi Hung
Mr. George Ho
Mr. Leung Kwok Kit

Principal place of business:

2nd Floor, Jade Mansion
40 Waterloo Road
Yaumatei
Kowloon
Hong Kong

Independent Non-executive Directors:

Mr. Adrian Fu Hau Chak
Mr. Aubrey Li Kwok Sing
Mr. Lester Kwok Chi Hang

18 July 2007

To the Affected Shareholders and the Affected Option-holder

**PROPOSED PRIVATIZATION OF
ABC COMMUNICATIONS (HOLDINGS) LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY PLATINUM SECURITIES COMPANY LIMITED ON BEHALF OF
H.C.B.C. ENTERPRISES LIMITED
FOR ALL THE ISSUED SHARE CAPITAL
IN ABC COMMUNICATIONS (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY H.C.B.C.
ENTERPRISES LIMITED AND THE EXCLUDED SHAREHOLDERS)**

INTRODUCTION

Reference is made to the announcement issued jointly by the Company and the Offeror dated 16 April 2007, in which the Board had been informed that a proposed privatization of the Company by way of a voluntary conditional general cash offer by Platinum, on behalf of the Offeror, to acquire all the issued share capital in the Company (other than those Shares already owned by the Offeror and the Excluded Shareholders) and to cancel all the outstanding Options of the Company held by the Affected Option-holder. Details of the Offers are set out in the Offer Document which was dispatched to all Shareholders on 11 June 2007.

LETTER FROM THE BOARD

The purpose of this Document is to provide you with, among other matters, information relating to the Company, the letter from the Independent Board Committee containing its recommendation and advice to the Affected Shareholders and the Affected Option-holder and the letter from OSK Asia Capital containing its advice to the Independent Board Committee in respect of the Offers.

THE OFFERS

The Share Offer and Option Offer are made by Platinum on behalf of the Offeror, which are subject to the terms and conditions set out in the Offer Document.

The offer price of HK\$0.580 per Affected Share represents:

- (i) a premium of approximately 19.59% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on the Pre-announcement Trading Day;
- (ii) a premium of approximately 24.20% over the average closing price of approximately HK\$0.467 per Share for the 10 trading days up to and including the Pre-announcement Trading Day;
- (iii) a premium of approximately 30.04% over the average closing price of approximately HK\$0.446 per Share for the 30 trading days up to and including the Pre-announcement Trading Day;
- (iv) a discount of approximately 19.44% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 14.88% to the audited consolidated net asset value per Share of approximately HK\$0.6814 as at 31 March 2007.

The Expired Share Option Scheme, which was adopted on 12 September 1991, expired on 11 September 2001 without prejudice to the rights and benefits of and attached to Options granted thereunder which are outstanding as at that date. At present, the Company has 2,500,000 Options outstanding under the Expired Share Option Scheme.

The Existing Share Option Scheme was adopted on 27 March 2002. No options have been granted under the Existing Share Option Scheme.

The exercise price and the expiry date of the outstanding Options granted under the Expired Share Option Scheme is HK\$1.41 and 22 February 2010, respectively. Ms. Patricia Yeung Shuk Kwan and Mr. George Joseph Ho, directors of the Company, respectively hold 2,000,000 and 500,000 Options. An Option Offer is proposed by the Offeror to acquire the 2,000,000 Options held by Ms. Patricia Yeung Shuk Kwan at a nominal price of HK\$0.010 per Option.

All outstanding Options, if neither exercised nor tendered under the Option Offer, will lapse after one month from the date on which the Offeror and the Excluded Shareholders notify Shareholders of their intention to exercise their rights of compulsory acquisition.

LETTER FROM THE BOARD

Save for such Options, there are no outstanding Options, convertibles, warrants, derivatives, securities convertible to Shares and rights to subscribe for Shares as at the Latest Practicable Date.

The Offers are conditional only upon the Offeror having received valid acceptances and/or made purchases (in each case of the Disinterested Shares) totalling at least 90% of the Disinterested Shares during the period of four months after the posting of the Offer Document. If such condition is satisfied, the Offeror and the Excluded Shareholders intend to exercise any compulsory acquisition rights to which they are entitled under the Companies Act to acquire the remaining Affected Shares, and following which, the Offeror and the Excluded Shareholders intend to withdraw the listing of the Company from the Stock Exchange. All outstanding Options, if neither exercised nor tendered under the Option Offer, will lapse after one month from the date on which the Offeror and the Excluded Shareholders notify the Shareholders of their intention to exercise their rights of compulsory acquisition. The Offers will lapse if the Offers do not become unconditional on or before the Closing Date (i.e. Wednesday, 1 August 2007 or such later date as may be extended by the Offeror in accordance with the Takeovers Code).

The Offeror reserves the right to extend the Offers or revise the condition of the Offers after the dispatch of this Document.

SHAREHOLDING

The Offeror and the Excluded Shareholders currently hold approximately 59.19% of the Issued share capital of the Company. The Affected Shareholders currently hold approximately 40.81% of the issued share capital of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the shareholdings of the Company are as follow:

	Number of Shares	%
The Offeror	19,808,000	4.24
The Excluded Shareholders		
HCBC Communications	245,523,600	52.59
Mr. George Ho	7,530,000	1.61
Mr. George Joseph Ho	3,500,000	0.75
Sub-total of the Offeror and the Excluded Shareholders	276,361,600	59.19
Concert Parties who are subject to the Share Offer		
Mr. Michael Tse Chi Hung ¹	9,234,006	1.98
Mr. Leung Kwok Kit ²	1,206,600	0.26
Sub-total of the Offeror and the Concert Parties	286,802,206	61.43
Disinterested Shareholders		
Directors ³	6,636,400	1.42
Other Shareholders	173,447,394	37.15
Sub-total of the Disinterested Shareholders	<u>180,083,794</u>	<u>38.57</u>
Total:	<u>466,886,000</u>	<u>100.00</u>

Note:

- Mr. Michael Tse Chi Hung is deemed to be interested in 9,234,006 Shares. These Shares are owned as to: (a) 9,204,006 Shares by him personally; and (b) 30,000 Shares by his son, Mr. Christopher Tse Wing Kit.
- Mr. Leung Kwok Kit is deemed to be interested in 1,206,600 Shares. These Shares are owned as to: (a) 906,600 Shares by him personally; (b) 100,000 Shares by his daughter, Ms. Joyce Leung; and (c) 200,000 Shares by his daughter, Ms. Jacqueline Leung.
- Amongst these Shares, 6,450,400 Shares are owned by Ms. Patricia Yeung Shuk Kwan and 186,000 Shares are owned by Mr. Aubrey Li Kwok Sing. Ms. Patricia Yeung Shuk Kwan and Mr. Aubrey Li Kwok Sing are directors of the Company. They are Disinterested Shareholders for the purpose of the Offers.

Apart from the 466,886,000 Shares in issue and 2,500,000 outstanding Options, the Company has no other class of Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in issue as at the Latest Practicable Date.

INTENTION OF THE OFFEROR

According to the Offer Document, the Offeror and the Excluded Shareholders, pursuant to rule 6.15(1) of the Listing Rules, intend to withdraw the listing status of the Shares on the Stock Exchange subsequent to the Offers becoming unconditional and the Offeror and the Excluded Shareholders exercising their compulsory acquisition rights. It is the intention

LETTER FROM THE BOARD

of the Offeror and the Excluded Shareholders to continue the existing business of the Group. The Offeror and the Excluded Shareholders do not intend to introduce any major changes to the business of the Group, including any redeployment of the fixed assets of the Group or to discontinue the employment of any employees of the Group. The Directors note the stated intentions of the Offeror and the Excluded Shareholders in respect of the Group and its employees, and will provide all necessary assistance to the Offeror and the Excluded Shareholders to ensure the smooth running of the business of the Group if the privatization is successful.

According to the Offer Document, the Offeror has not determined its strategy in respect of its holding in the Company if it fails to privatize the Company.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company. Its subsidiaries are principally engaged in providing financial information services, wireless applications development, securities trading system licensing, property and investment holding.

A summary of the audited consolidated results of the Group for the two financial years ended 31 March 2006 and 31 March 2007 is set out below:

	Audited results for	
	the year ended 31 March	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
		(restated)
Turnover	73,784,184	41,028,514
Operating profit	9,603,864	25,324,811
Profit before income tax	8,650,313	24,981,671
Profit attributable to equity holders	7,619,441	24,981,671

As at 31 March 2007, the audited consolidated net assets of the Group were approximately HK\$318,153,598 or approximately HK\$0.6814 per Share.

PUBLIC FLOAT

If for any reason the Offeror and the Excluded Shareholders do not exercise their compulsory acquisition rights, if any, under the Companies Act, appropriate steps will be taken by the Offeror and the Excluded Shareholders as soon as possible following the closing of the Offers to ensure not less than 25% of the Shares will be held in public hands. Shareholders should note that upon the closing of the Offers, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a prescribed level of public float is attained. The Stock Exchange has stated that it will closely monitor trading in the Shares if, upon the closing of the Offers, less than 25% of the Shares

LETTER FROM THE BOARD

are held in public hands. If the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

DEALING IN SHARES

As the Offers are subject to the satisfaction of condition and may or may not become unconditional, Shareholders, holders of Options and potential investors are advised to exercise caution in dealing in the Shares and/or the Options.

COMPOSITION OF THE INDEPENDENT BOARD COMMITTEE

Pursuant to Rule 2.8 of the Takeovers Code, the independent board committee of the Company shall comprise all non-executive directors of the Company who have no direct or indirect interest in the Offers (other than as a shareholder of the Company). Mr. Michael Tse Chi Hung, Mr. George Ho and Mr. Leung Kwok Kit, non-executive directors of the Company, are all directors of the Offeror. Management Capital Limited, of which Mr. Aubrey Li Kwok Sing is a substantial shareholder, has provided advisory services to the Offeror in October 2005 for a small fee. Given their interests in or relationship with the Offeror, they do not consider themselves sufficiently independent to advise the Affected Shareholders and Affected Option-holder in respect of the Offers.

Mr. Adrian Fu Hau Chak and Mr. Lester Kwok Chi Hang, independent non-executive directors of the Company who are independent of the Offers, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations to the Affected Shareholders and the Affected Option-holder in respect of the terms of the Offers. OSK Asia Capital has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Offers and as to the acceptance of the Offers.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out in this Document which contains its recommendation to the Affected Shareholders and the Affected Option-holder in respect of the Offers and the letter from OSK Asia Capital which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the Offers and as to the acceptance of the Offers, and the principal factors and reasons it has considered before arriving at its advice to the Independent Board Committee.

Yours faithfully,
For and on behalf of the Board of
ABC Communications (Holdings) Limited
Patricia Yeung Shuk Kwan
Managing Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



ABC COMMUNICATIONS (HOLDINGS) LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 30)

18 July 2007

To the Affected Shareholders and the Affected Option-holder,

Dear Sir/Madam,

**PROPOSED PRIVATIZATION OF
ABC COMMUNICATIONS (HOLDINGS) LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY PLATINUM SECURITIES COMPANY LIMITED ON BEHALF OF
H.C.B.C. ENTERPRISES LIMITED
FOR ALL THE ISSUED SHARE CAPITAL
IN ABC COMMUNICATIONS (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY H.C.B.C.
ENTERPRISES LIMITED AND THE EXCLUDED SHAREHOLDERS)**

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offers and to make recommendations to the Affected Shareholders and the Affected Option-holder in connection with the Offers, details of which are set out in the Letter from the Board in the offeree board circular dated 18 July 2007 (the “Document”) of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Document unless the context otherwise requires.

Details of the Offers are set out in the Offer Document which was dispatched to all Shareholders on 11 June 2007.

OSK Asia Capital has been appointed as the independent financial adviser to advise us in respect of the terms of the Offers. We wish to draw your attention to the letter of advice from OSK Asia Capital set out on pages 13 to 42 of the Document which contains its advice in respect of the terms of the Offers.

Having regard to the average daily closing price of the Shares in the six months period leading up to the time when the Share Offer was made and the advice dated 18 July 2007 of the independent financial adviser, OSK Asia Capital, we consider that the terms of the Share Offer are fair and reasonable and thus recommend the Affected Shareholders to consider accepting the Share Offer. However, the Affected Shareholders should note that subsequent to the date of the Announcement of the Share Offer, the Shares have been traded in the stock market at higher price levels than the offer price and with significantly increased trading volumes. Accordingly, we recommend those Affected Shareholders who decide to

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

accept the Share Offer to first try to dispose of the Shares in the open market. Only when they are unable to sell their Shares on market at a price higher than the offer price (net of expenses), they may then wish to consider accepting the Share Offer. All Affected Shareholders should bear in mind that if the Share Offer fails, then the Share price may fall back to the lower price levels and with less trading volume as during the months prior to the Share Offer. In respect of the Affected Options, as they are considered to be “out of the money” based on the offer price and the current market price, we recommend the Affected Option holder to consider accepting the Option Offer.

Notwithstanding our view and recommendation, the Affected Shareholders and the Affected Option-holder should exercise their own judgement in respect of the merits and drawbacks of accepting or declining the Offers as every Affected Shareholder and the Affected Option-holder may have different investment concerns and objectives.

Yours faithfully,

INDEPENDENT BOARD COMMITTEE
ABC COMMUNICATIONS (HOLDINGS) LIMITED
Adrian Fu Hau Chak Lester Kwok Chi Hang

LETTER FROM OSK ASIA CAPITAL

The following is the text of the letter of advice from OSK Asia Capital to the Independent Board Committee for the purpose of incorporation into the Document.



11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central, Hong Kong

18 July 2007

The Independent Board Committee
ABC Communications (Holdings) Limited
2/F, Jade Mansion
40 Waterloo Road
Yaumatei, Kowloon
Hong Kong

Dear Sirs,

**PROPOSED PRIVATIZATION OF
ABC COMMUNICATIONS (HOLDINGS) LIMITED
BY WAY OF A VOLUNTARY CONDITIONAL GENERAL CASH OFFER
BY PLATINUM SECURITIES COMPANY LIMITED ON BEHALF OF
H.C.B.C. ENTERPRISES LIMITED
FOR ALL THE ISSUED SHARE CAPITAL IN
ABC COMMUNICATIONS (HOLDINGS) LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED BY H.C.B.C.
ENTERPRISES LIMITED AND THE EXCLUDED SHAREHOLDERS)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in connection with the proposed privatization of the Company by way of a voluntary conditional general cash offer, details of which are set out in the Offer Document and the Document. This letter forms part of the Document. Capitalised terms used in this letter have the same meanings as defined in the Document, unless the context requires otherwise.

The Independent Board Committee established to give advice and recommendation to the Affected Shareholders and the Option-Holder on the Offers comprises Mr Adrian Fu Hau Chak and Mr Lester Kwok Chi Hang. OSK Asia Capital has been appointed as the independent financial adviser to advise the Independent Board Committee as to the fairness and reasonableness of the terms of the Offers so far as the interests of the Affected Shareholders as a whole and the Affected Option-holder are concerned and whether or not to accept the Offers, which appointment has been approved by the Independent Board Committee.

LETTER FROM OSK ASIA CAPITAL

None of OSK Asia Capital, its employees nor its shareholders has any financial or other connections with any of the Company, the Offeror and any party acting, or presumed to be acting, in concert with the Company and Offeror in the past two years, and accordingly is considered eligible to give independent advice on the Offers. Apart from the normal fixed professional fees payable to us in connection with this appointment, there is no inducement fee, break fee or other special fee arrangement between OSK Asia Capital and the Company.

In formulating our opinion, we have relied upon the information, facts and representations contained in the Offer Document, the Document and those supplied or made by the Directors and management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the respective dates of the Offer Document and the Document and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the Directors and management of the Company that no material facts have been withheld or omitted from such information and representations. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Document or to us have been arrived at after due and careful consideration and there are no other facts not contained in the Document the omission of which would make any statement in the Document relating to the Group misleading.

We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group or the current state of or likely prospects of the industries in which the Group operates.

TERMS OF THE OFFERS

The Affected Shareholders may refer to the letter from the Board in the Offer Document for details of the Offers.

The Offeror is making a voluntary conditional general cash offer to acquire all the Shares (other than those owned by the Offeror and the Excluded Shareholders) at a price of HK\$0.58 per Affected Share. In respect of the Affected Options, the Offeror conditionally offers to cancel the Affected Options for cash at a price of HK\$0.01 per Option payable to the holder of the Affected Options.

The Offers are subject only to the condition that the Offeror receives valid acceptances and/or has made purchases (in each case of the Disinterested Shares) totalling at least 90% of the Disinterested Shares during the period of four months after the posting of the Offer Document. If such condition is satisfied, the Offeror and the Excluded Shareholders intend to exercise the compulsory acquisition rights to which they are entitled under the Companies Act to acquire the remaining Affected Shares, and following which, the Offeror and the

LETTER FROM OSK ASIA CAPITAL

Excluded Shareholders intend to withdraw the listing of the Company from the Stock Exchange. The Offers will lapse if the Offers do not become unconditional on or before the Closing Date.

As at the Latest Practicable Date, the Offeror and the Excluded Shareholders held approximately 59.19% of the issued share capital of the Company and the Affected Shareholders held approximately 40.81% of the issued share capital of the Company.

Based on the total number of Affected Shares (190,524,400) and Affected Options (2,000,000) as at the Last Practicable Date, the total consideration for the Offers amounts to an aggregate of approximately HK\$110,524,152. The Offeror intends to finance the cash required for the Offers from its internal resources. If all the Affected Options are exercised, the total consideration for the Offers will increase to approximately HK\$111,664,152. Platinum, the financial advisor to the Offeror, is satisfied that the Offeror has sufficient financial resources to implement the Offers.

All outstanding Options, if neither exercised nor tendered under the Option Offer, will lapse after one month from the date on which the Offeror and the Excluded Shareholders notify Shareholders of their intention to exercise their rights of compulsory acquisition.

The Offeror and the Excluded Shareholders, pursuant to Rule 6.15(1) of the Listing Rules, intend to withdraw the listing status of the Shares on the Stock Exchange subsequent to the Offers becoming unconditional and the Offeror and the Excluded Shareholders exercising their compulsory acquisition rights. The Offeror and the Excluded Shareholders have no intention to introduce any major changes to the existing operating and management structure, or to discontinue the employment of any employees of the Group.

PRINCIPAL FACTORS

In formulating our opinion in respect of the Offers, we have taken into consideration, among other things, the following principal factors:

Business and trading record of the Group

The Group is principally engaged in the provision of financial information services, wireless applications development, securities trading system licensing, property and investment holding.

LETTER FROM OSK ASIA CAPITAL

A summary of the audited consolidated results of the Group for the three financial years ended 31 March 2007 is set out below:

	For the year ended 31 March		
	2007	2006	2005
	(audited)	(audited and restated)	(audited and restated)
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	73,784,184	41,028,514	25,041,859
Other gain, net (<i>Note 2</i>)	928,710	22,605,178	93,283,587
Operating profit	9,603,864	25,324,811	86,789,314
Profit before income tax	8,650,313	24,981,671	86,530,915
Profit attributable to equity holders	7,619,441	24,981,671	86,530,915

Notes:

- (1) The information for the year ended 31 March 2006 is extracted from the annual report of the Company for the year ended 31 March 2007.
- (2) The “other gain, net” recorded related mainly to the Group’s corporate activities and investment holdings.

The following tables set out the turnover and operating profit/(loss) breakdown of the Group as extracted from the published audited consolidated income statements of the Group for the year ended 31 March 2006 (in respect of the information for the year ended 31 March 2005) and the year ended 31 March 2007 (in respect of the information for the two years ended 31 March 2006 and 2007).

For the year ended 31 March 2005

	Financial quotation and securities trading system licensing	Wireless applications	Corporate activities and investment holdings
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
		(<i>Note 1</i>)	(<i>Notes 2 and 3</i>)
		<i>HK\$</i>	<i>HK\$</i>
Turnover	25,020,061	21,798	–
Operating profit/(loss)	371,922	(2,416,222)	88,833,614

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For the year ended 31 March 2006

	Financial quotation and securities trading system licensing	Wireless applications <i>(Note 1)</i>	Corporate activities and investment holdings <i>(Note 2)</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	40,704,607	323,907	–
Operating profit/(loss)	1,547,127	(1,958,346)	25,736,030

For the year ended 31 March 2007

	Financial quotation and securities trading system licensing	Wireless applications <i>(Note 1)</i>	Corporate activities and investment holdings <i>(Note 2)</i>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Turnover	73,003,982	780,202	–
Operating profit/(loss)	2,400,435	(1,074,812)	8,278,241

Notes:

- (1) The Group recorded operating losses for the three years ended 31 March 2007 in respect of the Group's wireless applications business segment as the Group continued to incur operating expenses (such as staff costs and research and development expenses) in respect of the development of the business.
- (2) Based on the accounting policies of the Group and pursuant to the Hong Kong Financial Reporting Standards, income derived in connection with the Group's two principal operating activities are classified as turnover whilst other income, including income derived from corporate activities and investment holdings is not classified as turnover, but as other gain, of the Group.
- (3) The amount stated in the financial statements of the Company for the year ended 31 March 2005 was HK\$87,733,514. As stated in note 1 of the three-year financial summary set out in Appendix I to the Document, there was an upward adjustment of HK\$1,100,100 to the other gain, net for the year ended 31 March 2005. Accordingly, the restated amount is HK\$88,833,614.

During the above years, the turnover of the Group was mainly derived from the business segment of financial quotation and securities trading system licensing. During the three years ended 31 March 2007, the results of this business segment of the Group

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improved as a result of a buoyant stock market in Hong Kong during such period. On the other hand, the other major business segment of the Group - the provision of wireless application development services continued to record an operating loss for the past three completed financial years.

We understand from the Company that the financial quotation and securities trading system licensing and the wireless application businesses are the two business segments in which the Group has an active involvement and management. As set out in the Offer Document and the Document, the Offeror and the Excluded Shareholders have no intention to introduce any major changes to the existing operating and management structure of the Group. On a simple combined basis, the operating profits/(losses) of the two business segments of the Group for the three years ended 31 March 2007 are as follows:

For the year ended 31 March		
2005	2006	2007
<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(2,044,300)	(411,219)	1,325,623

The results of the two business segments as a whole have improved during the three years ended 31 March 2007 mainly as a result of the active stock market in Hong Kong. On an aggregate basis, the two business segments of the Group recorded operating losses for the two years ended 31 March 2006 but recorded a small operating profit for the year ended 31 March 2007. For each of the three years ended 31 March 2007, the operating profit of the Group derived from corporate activities and investment holdings was much greater than the aggregate operating profits of the two other business segments. Given that a majority of the Group's profits have been derived from the Group's passive investments (which is more appropriately valued using an asset value approach) and the lack of a profitable track record of the two business segments in which the Group has an active involvement, we consider it not meaningful to attempt to use an earnings multiple comparison to evaluate the value of the Group.

Profits from corporate activities and investment holdings accounted for a significant majority of the consolidated operating profit of the Group for the three years ended 31 March 2007. We understand from the Company that the operating profits of the Group derived from corporate activities and investment holdings represented the income, revaluation and disposal gains of the investment property and/or available-for-sale financial assets (including investments in listed and unlisted securities mainly in Hong Kong and Japan), interest income and rental income. We understand from the Company that investments made by the Group in the available-for-sale financial assets are all passive investments. The Group does not have any active involvement in the management and operations of the companies/fund (being classified as available-for-sale financial assets) in which it has invested. For the year ended 31 March 2004, the Group recorded a net profit of approximately HK\$60.1 million as a result of disposal of certain investments held by the Group. For the year ended 31 March 2005, the Group again recorded another net profit of approximately

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HK\$88.5 million as a result of the disposal of a financial investment. The Group disposed of a lesser amount of available-for-sale financial assets in the year ended 31 March 2006 than in the year ended 31 March 2005 and recorded a net profit of only approximately HK\$23.4 million in this regard during the year ended 31 March 2006. For the year ended 31 March 2007, the Group did not dispose of any of its available-for-sale financial assets. This explains the significant decrease in the operating profits of the Group derived from corporate activities and investments holdings for the year ended 31 March 2007 as compared with the year ended 31 March 2006.

As mentioned above a significant part of the Group's profit was derived from the passive investment activities of the Group, we consider that value of the Company as well as the Shares should more appropriately be reflected by the value of the assets and liabilities of the Group, similar to how investment companies are typically valued.

Dividends

The table below sets out the dividend-related statistics of the Company (in respect of the continuing operations only) for the five financial years ended 31 March 2007.

For the year ended 31 March	Dividend per Share	Earnings/ (loss) per Share	Dividend payout ratio	Average daily closing price of Shares	Dividend yield
	<i>HK\$</i>	<i>HK\$</i>	<i>%</i>	<i>HK\$</i>	<i>%</i>
2003	0.01	(0.089)	n/a	0.247	4.05
2004	0.11	0.105	104.8	0.316	34.81
2005	0.13	0.185	70.3	0.568	22.89
2006	0.06	0.054	111.1	0.666	9.01
2007	0.01	0.016	62.5	0.520	1.92

Source of the average daily closing prices per Share: Bloomberg/Infocast

The Company declared dividends for each of the five years ended 31 March 2007. For the year ended 31 March 2007, the Company paid an interim dividend of HK\$0.01 but no further final dividend was declared. The Group has been able to make dividend payments for the five years ended 31 March 2007, even though the Group recorded loss for the year ended 31 March 2003. The dividend payout ratios for the three years ended 31 March 2006 were relatively high because the Group had significant cash inflow and gain from the sales of available-for-sale financial assets in each of the three financial years. The Group disposed of a lesser amount of financial investments in the year ended 31 March 2006 than in the years ended 31 March 2004 and 2005.

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Accordingly, the Group recorded a smaller amount of cash inflow generated from the sales of available-for-sale financial assets for the year ended 31 March 2006 than in the previous two years. The table below sets out the cash inflow generated from the sales of available-for-sale financial assets for the five years ended 31 March 2007.

For the year ended 31 March	<i>HK\$</i>
2003	37,534,149
2004	103,907,862
2005	110,983,494
2006	32,369,684
2007	–

The dividend payment history of the Company, the ability of which heavily relies on the sale of available-for-sale financial assets, supports the view that the value of the Shares significantly relies on the value of the available-for-sale financial assets held by the Group. We consider that the realizable value of the net assets of the Group should to a large extent reflect the present value of any possible future dividend payments of the Company given that the Company's dividend payouts in recent years have been funded by sales of the Group's assets.

In addition, it is uncertain as to whether the Company can maintain the level of its dividend payout ratios in the future as such will depend heavily upon its ability to sell its investments available for sale at a profit (please refer to the paragraph headed "Net asset value" below in the letter for details of the list of investments held by the Group).

Accordingly, we are of the view that it may not be appropriate to use a dividend yield valuation approach to evaluate the value per Share and believe that it is more appropriate to use a net asset value approach.

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Net asset value

The table below sets out the net asset value per Share calculated based on the audited consolidated balance sheet of the Group as at 31 March 2007 (being the latest published consolidated balance sheet of the Group) and the number of Shares in issue as at the Latest Practicable Date.

	<i>HK\$</i>
Non-current assets	
Land use rights	16,766,631
Property, plant and equipment	2,552,065
Investment property	19,500,000
Available-for-sale financial assets	197,677,575
Long-term pledged deposits	52,511,340
Long-term deposits	2,634,581

Total non-current assets	291,642,192

Current assets	
Trade receivables	13,831,572
Other receivables, deposits and prepayments	7,596,316
Pledged deposits	50,174,040
Cash and cash equivalents	57,028,051

Total current assets	128,629,979

Total assets	420,272,171

Liabilities	
Bank borrowings, secured	89,008,171
Advance subscriptions and licence fees received	2,564,310
Customer deposits	508,500
Trade and other payables	9,006,720
Deferred income tax liabilities	1,030,872

Total liabilities	102,118,573

Net assets	<u>318,153,598</u>

Number of Shares in issue as at the Latest Practicable Date	<u>466,886,000</u>

Net asset value per Share	<u>HK\$0.6814</u>

The offer price represents a discount of approximately 14.9% to the audited net asset value per Share as at 31 March 2007.

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The non-current assets of the Group comprise (i) property, plant and equipment, (ii) land use rights, (iii) investment property, (iv) available-for-sale financial assets and (v) long-term cash deposits.

The balance of the property, plant and equipment as at 31 March 2007 only represented approximately 0.61% of the consolidated total assets of the Group as at the same date. We understand from the Company that the property, plant and equipment on the Group's balance sheet comprise (i) a building property in Hong Kong at 2/F, Jade Mansion, 40 Waterloo Road, Kowloon, Hong Kong (the "Owned Property") (excluding the value of the relative land which is separately stated as land use rights on the balance sheet of the Group), (ii) computer equipment and (iii) furniture and fixtures, which respectively approximately represented 56.4%, 42.3% and 1.3% of the total balance of the property, plant and equipment of the Group as at 31 March 2007. We understand from the Company that the value of the property stated in the consolidated balance sheet of the Group represented a depreciated replacement cost of the property based on a professional valuation carried out in respect of the Owned Property in 2004. The Owned Property (including the relevant land use rights which were separately stated on the Group's balance sheet as described below) was revalued at 31 March 2007 on the basis of depreciated replacement cost estimated by Vigers Appraisal & Consulting Limited, an independent professional valuer, commissioned by the Group. The valuation as at 31 March 2007 was HK\$19.7 million. The Company does not consider such valuation differs materially from the carrying amount and therefore decided not to adjust the carrying value of the Owned Property (as well as the relevant land use rights) on the consolidated balance sheet of the Group. The remaining assets were stated at their respective costs net of depreciation. We understand from the Company that most of the leasehold improvements relate to the Owned Property with a minor portion relating to the investment property held by the Group as described below. All the remaining assets were stated on the Group's balance sheet at costs less depreciation. The remaining fixed assets, including computer equipment and furniture and fixtures, are considered to have relatively low resale values.

In accordance with the Hong Kong Financial Reporting Standards, the land use rights in respect of the Owned Property were stated as a separate item on the balance sheet of the Group. The land use rights amounting to HK\$16,766,631 as at 31 March 2007 relate to the above Owned Property of the Group. We understand that the value of the land use rights was recorded based on the same professional valuation of the Owned Property in 2004 and has not been adjusted based on the same reason as stated above.

The book value of the investment property amounted to HK\$19,500,000 and represented approximately 4.64% of the audited consolidated total assets of the Group as at 31 March 2007. The investment property is an office property situated at 1/F, Jade Mansion, 40 Waterloo Road, Yaumatei, Kowloon, Hong Kong. The value of the investment property stated in the audited consolidated balance sheet of the Group represented the open market value of the property valued by an independent property valuer as at 31 March 2007.

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Both the Owned Property and the investment property are located at the same building at Yaumatei, Hong Kong, being grade B or C commercial properties. Based on the private office rental and price indices published by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region, the relevant rental and price indices for May 2007 (being the latest published one) in respect of grade B and grade C private offices in Hong Kong slightly increased by small percentages in a range between approximately 0.6% and 2.7% as compared to those for March 2007. Given that valuations on the said two properties of the Group remained stable over the past few years and the relatively stable performance of the above indices, we consider that the valuations of the two properties as at 31 March 2007 a reasonable reference. Accordingly, we consider that the carrying value of the Group's holding of the two properties as at 31 March 2007 a reasonable reference and consider such information sufficiently update enough for us to form our view to the Independent Board Committee under this letter. We therefore do not consider it necessary to request for any further updated valuations for the two properties as at the Latest Practicable Date.

The available-for-sale financial assets accounted for a majority of the non-current assets of the Group and represented approximately 47.04% of the consolidated total assets of the Group as at 31 March 2007. Approximately 49.3% of such available-for-sale financial assets comprised investments in listed equity securities in Hong Kong and Japan with the remaining approximately 50.7% being investments in unlisted securities in a Japanese company and a fund.

We have been provided with a list of available-for-sale financial assets of the Group as at 31 March 2007 as follows:

Investments	Quantity	Closing price as at 30 March 2007 (being the last trading day in March 2007)	Carrying value <i>HK\$</i>	Percentage
SmarTone Telecommunications Holdings Limited ("SmarTone") – listed on the Stock Exchange	76,000 shares	HK\$9.03	686,280	0.3%
eAccess Limited ("eAccess") – listed on the Tokyo Stock Exchange	18,630 ordinary shares	¥78,300 (equivalent to approximately HK\$5,199.12 per share, based on an exchange rate of ¥100 = HK\$6.640)	96,859,604	49.0%
eMobile Limited ("eMobile") – unlisted securities	6,666 A-1 preferred shares and 3,011 A-2 preferred shares	N/A	72,059,691 <i>(Note 2)</i>	36.5%
Argo II Funds (the Wireless Internet Fund) – unlisted securities		N/A	28,072,000 <i>(Note 3)</i>	14.2%
Total			<u>197,677,575</u>	<u>100%</u>

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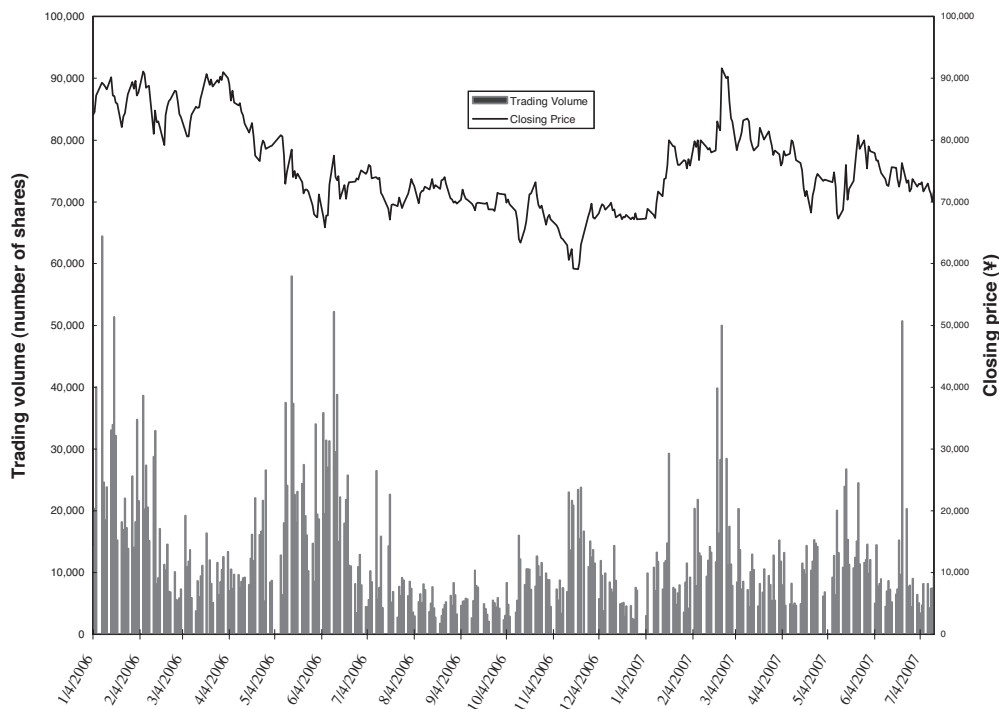
Notes:

- (1) We understand that the Group has in the past also invested in a number of companies, including Lexco Limited, 宏遠電訊股份有限公司 (Savecom) and ABC Net Limited. We understand that the Group continues to hold such investments in the three companies as at the Latest Practicable Date. The total cost of the Group's investments in the three companies amounted to approximately HK\$76.96 million and that full provisions in respect of such investments have been made in the published audited accounts of the Group as all the three companies have been loss making for years.
- (2) The carrying value of the Group's investment in eMobile represents a valuation performed by an independent professional valuer as at 31 March 2007 as extracted from the audited financial statements of the Group.
- (3) The carrying value of the Group's investment in the Argo II Funds represents the Group's investment cost in it less impairment losses as at 31 March 2007 as extracted from the audited financial statements of the Group. The impairment losses of the Group's investment in the Argo II Funds were determined by the Company with reference to the historic financial statements of the fund.

SmarTone and eAccess are listed securities. The Group's investments in SmarTone and eAccess are stated in the financial statements of the Group based on their respective market values determined based on their share prices quoted on the relevant stock exchanges. As at 31 March 2007, the aggregate market value of such securities amounted to approximately HK\$97.5 million, of which the market value of the Group's holding in eAccess accounted for over 99%. The holding of the Group in SmarTone is small. The risk of not being able to realize the holding of 76,000 SmarTone's shares is also small. The closing price of SmarTone as at 30 March 2007 (the last trading day in March 2007) was HK\$9.03 per share. As at the Latest Practicable Date, the closing price per SmarTone's share was HK\$9.00 which is very close to the closing price in the end of March 2007. Given the small shareholding of the Group in SmarTone's shares, we do not consider that the share price fluctuation of SmarTone's shares to have any material implication on the consolidated net asset value of and also the valuation of the Company.

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eAccess is principally engaged in the provision of broadband internet access service and value added service and the construction of IP backbone. The table below sets out the share price and turnover of eAccess from 1 January 2006 to the Latest Practicable Date.



Source: Bloomberg

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The shares in eAccess held by the Group represent approximately 1.28% of the total issued share capital of eAccess. The table below sets out the aggregate trading volume and monthly average closing price of eAccess's shares on the Tokyo Stock Exchange for the past 12 months.

Month	Trading volume <i>(number of shares)</i>	Monthly average closing price <i>(¥)</i>
July 2007 (Up to the Latest Practicable Date)	64,701	72,140
June 2007	228,081	74,495
May 2007	285,243	74,367
April 2007	197,912	75,215
March 2007	194,130	80,548
February 2007	341,449	81,342
January 2007	188,533	73,868
December 2006	144,859	68,190
November 2006	263,373	64,360
October 2006	176,972	68,819
September 2006	103,704	69,965
August 2006	122,761	72,161
July 2006	183,175	71,695

The closing price of ¥78,300 per eAccess's share on the Tokyo Stock Exchange on 30 March 2007 (the last trading day in March 2007) was higher than the monthly average closing price of eAccess's shares for each of the past twelve months except February and March 2007. Trading prices of eAccess on market fluctuates. During the period from 1 April 2007 to the Latest Practicable Date, the highest per share closing price of eAccess's share was ¥80,800 and the lowest closing price was ¥67,300 (which is approximately 16.7% lower than the highest closing price during the said period). As at 13 July 2007, being the last trading day prior to the Latest Practicable Date, the closing price of each eAccess's share was ¥71,900, which is approximately 8.2% lower than the closing price by the end of March 2007. For illustrative purposes only if the eAccess's shares held by the Group as at 31 March 2007 were revalued based on the closing price of eAccess's shares as at the last trading day prior to the Latest Practicable Date and the exchange rate of Japanese Yen to Hong Kong dollar as at the Latest Practicable Date, the net asset value per Share as at 31 March 2007 would decrease by approximately 11.6%. If the Group's net assets were revalued using the closing price of eAccess as at the last trading day prior to the Latest Practicable Date (as translated into Hong Kong dollar equivalent using the exchange rate as at the Latest Practicable Date), the net asset value per Share would be approximately HK\$0.6574, representing a decrease of approximately 3.5% as compared with the audited net asset value per Share of HK\$0.6814 as at 31 March 2007. Given the historic volatility of

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eAccess's shares and the translation rate of Japanese Yen against Hong Kong dollar, we do not consider the difference between the value of the Group's investment in eAccess's shares as at 31 March 2007 and the Latest Practicable Date to be material.

Based on the above, we consider that the aggregate carrying value of the Group's investments in SmarTone and eAccess as at 31 March 2007 a reasonable reference and consider such information sufficiently update enough for us to form our view to the Independent Board Committee under this letter.

Under the general accounting policy of the Group, unlisted securities investments are recorded in the financial statements as at the relevant balance sheet date based on fair values. Unlisted investments do not have a quoted market price in an active market and their fair values cannot be reliably measured, the investments are recognized on the balance sheet at cost less impairment losses, if supported by objective evidence, or independent valuation. As at 31 March 2007 and the Latest Practicable Date, unlisted securities held by the Group included Lexco Limited, 宏遠電訊股份有限公司 (Savecom), ABC Net Limited, eMobile and the Argo II Funds.

Full provisions have been made against the Group's investments in Lexco Limited, 宏遠電訊股份有限公司 (Savecom) and ABC Net Limited. Lexco Limited is a company principally engaged in facilities management consultancy and solutions services in which the Group holds a 9% interest. 宏遠電訊股份有限公司 is principally engaged in paging and internet services in Taiwan, in which the Group holds a 0.55% interest. ABC Net Limited is principally engaged on the provision of internet and related services, in which the Group holds an 18% interest. Securities of the three companies in which the Group has invested are not listed on any stock exchanges. Given the lack of an market exit, the financial positions and the loss making track records of the three companies, we concur with the view of the Directors that it is true and fair not to ascribe any carrying value to the three investments on the balance sheet of the Group on the accounting principle that the carrying value of an investment should reflect its fair value.

Up to the Latest Practicable Date, the Group's investments in eMobile comprised series A-1 preferred shares and series A-2 preferred shares of eMobile. The Company informed us that the series A-1 preferred shares of eMobile of ¥75,000 each and the series A-2 preferred shares of ¥85,000 each rank ahead of the ordinary shares of eMobile in terms of asset distributions and dividends. Holders of the two classes of preferred shares are entitled to non-cumulative preferred dividends of 5% of the issue price of the shares. Up to the Latest Practicable Date, no preferred dividend had been declared by eMobile in respect of the two classes of the preferred shares. Both classes of preferred shares are not redeemable but are convertible into ordinary shares of eMobile at any time at conversion prices presently equal to the respective issue prices of the preferred shares. The Company informs us that the Group's holding in the series A-1 preferred shares and the series A-2 preferred shares represented in aggregate approximately 0.477% of the total issued ordinary and preferred share capital of eMobile as at the Latest Practicable Date. The Group's investment in eMobile has been revalued upward to HK\$72.06 million (equivalent to approximately Japanese ¥112,146 per share) at the Group's balance sheet date as per the valuation undertaken by the

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independent valuer. This fair value change has been recorded in the investment revaluation reserve of the Group. We understand from the Company that subsequent to 31 March 2007, there was a transaction in the shares of eMobile completed on 31 May 2007 at a share transfer price of ¥120,000 per share, representing a premium of 7% over the independent valuation.

eMobile is a subsidiary of eAccess established in 2005 and is licensed to operate a new mobile network in Japan. eMobile launched its data services in late March this year. It was stated in the annual report of the Group for the year ended 31 March 2006 that “eMobile, being a start-up, is not likely to contribute to the Group’s bottom-line in the short-term”. In the annual report of the Company for the year ended 31 March 2007, it was stated that “eMobile was still at a loss-making stage and the Company did not expect any contribution from this investment to our bottom line in the immediate future”. eMobile recorded a loss for the year ended 31 March 2007 based on its audited accounts (based on the generally accepted accounting principles in Japan). After the acquisition of Vodafone Japan by SoftBank in 2006, the number of 3G mobile operators in Japan has reduced from five to four. It was stated in the interim report of the Group for the six months ended 30 September 2006 that eMobile was one of the four participants in the 3G market in Japan. The services of eMobile include mobile data broadband services in various regions in Japan. Similar to many other mobile 3G operators in the world, the development of the business requires substantial capital input. As at 16 February 2007, the total paid-up capital of eMobile amounted to ¥143.2 billion (equivalent to approximately HK\$9.19 billion). We understand that competition in wireless telecommunication services in Japan is keen. We understand that in 2006, Vodafone Group sold Vodafone Japan, a mobile network operator, to SoftBank. Based on the information quoted by Bloomberg, under International Financial Reporting Standard, Vodafone would record an impairment charge of approximately £4.9 billion (equivalent to approximately HK\$78.0 billion) in its results for the year ended 31 March 2006 in respect of its interest in Vodafone Japan. We consider that this indicates that investments in mobile networks in Japan may involve substantial risks.

As stated in the audited financial statements of the Group for the year ended 31 March 2007, the carrying value of the Group’s investments in eMobile as at 31 March 2007 was stated based on an independent valuation. We understand from the Company that the valuation of the preferred shares of eMobile in which the Group has invested comprised two portions: (i) the preferred stock portion valued at perpetuity based on non-cumulative dividends of 5% of the issue prices of the preferred shares and (ii) the conversion option portion valued using an option pricing model. We also understand from the Company that there was a transaction of eMobile’s preferred shares in May 2007. Even if assuming that the preferred shares were valued at the recent transaction price of eMobile’s shares, the value of the Group’s investment in the preferred shares of eMobile would only slightly increase by approximately 3.4% as compared with the carrying value as at 31 March 2007 (based on the exchange rate of Japanese Yen to Hong Kong dollar as at the Latest Practicable Date). If the Group’s net assets were revalued using the above valuation of eMobile (as translated into Hong Kong dollar equivalent using the exchange rate as at the Latest Practicable Date), the net asset value per Share would be approximately HK\$0.6867, representing an increase of approximately 0.8% as compared with the audited net asset value per Share of

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HK\$0.6814 as at 31 March 2007. Accordingly, we consider that the carrying value of the Group's investment in eMobile as at 31 March 2007 a reasonable reference and consider such information sufficiently update enough for us to form our view to the Independent Board Committee under this letter. We therefore do not consider it necessary to request for any further update on the valuation of eMobile's preferred shares up to the Latest Practicable Date.

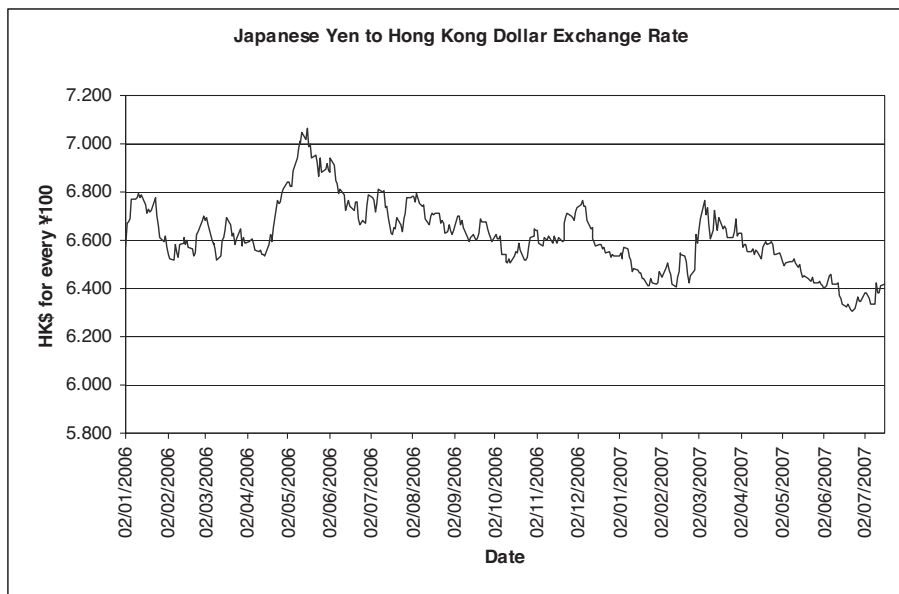
For the year ended 31 March 2006, the audited net loss of eMobile (prepared in accordance with generally accepted accounting principles in Japan) was approximately ¥1.86 billion. For the year ended 31 March 2007, the audited loss of eMobile increased to approximately ¥12.94 billion.

The preferred shares in which the Group has invested are not redeemable. Possible future income which may be derived from such investment include (i) dividends and (ii) sale of such investment. However, it will be difficult to predict when eMobile will be in a position to declare dividends to its equity holders. Neither the preferred shares nor ordinary shares of eMobile have an active trading market. We understand from the Company that it understands that it is an objective of eMobile to be separately listed on a recognized stock exchange. However, the Company is not aware of any imminent listing plan of eMobile. It is uncertain as to whether and when eMobile will be listed in the future. As present, there is no available liquid exit for the Group's investment in eMobile. The Affected Shareholders should pay particular attention to the above underlying risks in respect of these investments.

Given (a) the loss making track record of eMobile, (b) the relatively short operating history of eMobile, (c) the keen competition of the Japanese mobile phone market in which eMobile is operating and (d) the lack of a liquid market, we consider that there are inherent risks that the value of eMobile's preferred shares stated on the Group's balance sheet as at 31 March 2007 may not be fully realisable.

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Most of the Group's investments in the available-for-sale financial assets are denominated in Japanese Yen, including the Group's investments in eAccess and eMobile. The Company's valuation is subject to an exchange risk of Japanese Yen against Hong Kong dollars. The chart below sets out the exchange rate of Japanese Yen against Hong Kong dollars from 1 January 2006 to the Latest Practicable Date.



Source: Bloomberg

As shown in the above chart, the exchange rate of Japanese Yen against Hong Kong dollar has been fluctuating in the range of approximately HK\$6.31 to HK\$7.06 for every ¥100. The exchange rate as at 31 March 2006 was HK\$6.59 for every ¥100. Whilst the exchange rate went up slightly from HK\$6.629 for ¥100 as at 30 September 2006 to HK\$6.64 for ¥100 as at 31 March 2007. The exchange rate dropped to HK\$6.42 for ¥100 as at the Latest Practicable Date. It is not unreasonable to expect that the exchange rate of Japanese Yen against Hong Kong dollars will continue to fluctuate and expose the Group's asset value to significant exchange rate risks.

The Group holds an investment in the Argo II Funds (the Wireless Internet Fund) amounting to approximately HK\$28.07 million. As at 31 March 2007, the Company had a commitment further to invest an approximately HK\$1.77 million in the fund which was classified as capital commitments of the Group in its financial statements. The Argo II Funds is a limited partnership fund established in 2000 for a term of 9 years, which may be extended for a further 3 years with the consent of the partners of the fund. The investment objective of the fund is to invest in companies developing products and services that address the requirements of the converging Internet and mobile telecommunications industries. All income and portfolio gains of and interest earned by the fund are distributed to the partners of the fund. So far, no income has been distributed by the Argo II Funds to the Group, as a partner of the fund. The Company confirms that investments in the Argo II Funds are not transferable. During the term of the fund, assets of the fund may be realized with the relevant net proceeds being distributed to the partners of the fund. Upon the end of the fund, any remaining

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assets of the fund will be realized and the net proceeds will be distributed to the partners of the fund. Any distribution is to be made in accordance with the contributions made by each partner to the total capital of the fund.

As at the Latest Practicable Date, the Group's contribution accounted for approximately 1.904% of the total capital of the fund. As stated above, the carrying value of the Group's investment in the Argo II Funds is stated at the Group's investment cost in it less impairment in the fair value of such investment as decided by the Directors from time to time. Up to 31 March 2007, a total net provision of approximately HK\$5.02 million had been made by the Group in respect of its investment in the fund.

We understand from the Company that the Directors decide the amount of impairment with reference to the audited financial results and position of the fund. We have reviewed the latest audited financial statement of the fund (prepared in conformity with accounting principles generally accepted in the United States) and understand that it is the accounting policies of the fund to state its investments at fair value with reference to on-market price, market quotations and fair value determined in good faith by the general partner of the fund, acting as the fund manager, who in turn will take into account, among other things, recent financing and sales of companies' securities. We consider it acceptable for the Company to determine the carrying value of its investment in the Argo II Funds based on the financial performance of the fund. As investment in the fund is not transferable and redeemable prior to maturity, the Group may most likely not be able to realize its investment in the fund until the expiry of the term of the fund in 2009 (which may be further extended to 2012). Due to the long-term nature of the investment, we consider that recent short-term stock market fluctuations may not have any significant impact on the value of the fund. We further understand from the Company that it understood from the manager of the fund through an investor conference in May 2007 that there was no major development of the fund after 31 March 2007. Accordingly, we consider that the carrying value of the Group's investment in the fund as at 31 March 2007 a reasonable reference and consider such information sufficiently update enough for us to form our view to the Independent Board Committee under this letter. We therefore do not consider it necessary to request for any further financial information on the fund up to the Latest Practicable Date.

The remaining non-current assets as at 31 March 2007 were long-term pledged deposits and long-term deposits amounting to HK\$55.1 million both of a term of three years maturing on 22 December 2008.

The current assets of the Group comprise (i) trade receivables; (ii) other receivables, deposits and prepayments; (iii) pledged deposits; (iv) short-term deposits; and (v) cash and cash equivalents. The aggregate amount of the current assets of the Group as at 31 March 2007 amounted to HK\$128,629,979, representing approximately 30.61% of the consolidated total assets of the Group as at the same date.

The liabilities of the Group as at 31 March 2007 amounted to HK\$102,118,573, approximately 87.16% of which were bank borrowings. The remaining liabilities comprised advance subscriptions and licence fees received and customer deposits

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received in connection with the principal business of the Group, trade and other payables and deferred tax liabilities. The Company has confirmed that that apart from the capital commitments set out above, the Group had no other capital commitment or contingent liabilities as at the Latest Practicable Date.

At the time when the Share Offer was first announced on 16 April 2007, the offer price only represented a discount of approximately 6.8% to the unaudited net asset value per Share as at 30 September 2006 (the then latest published balance sheet of the Group). The offer price also represented a discount of approximately 14.71% to the audited net asset value per Share as at 31 March 2006 before deducting the payment of a final dividend of HK\$18.7 million after the year end. Based on the audited financial statements of the Group as at 31 March 2007, the audited net asset value per Share was approximately HK\$0.6814. The offer price of HK\$0.58 represents a discount of approximately 14.88% to the audited net asset value per Share as at 31 March 2007. We understand from the Company that the increase in the net asset value of the Group from 30 September 2006 to 31 March 2007 was mainly due to the increase in the valuations of certain available-for-sale financial assets held by the Group, namely: (i) eAccess to reflect the market price of eAccess's shares by the ended of 31 March 2007 and (ii) eMobile to reflect the latest independent valuation on the preferred shares as at 31 March 2007 of eMobile commissioned by the Group. The share price of eAccess increased by 9.8% to ¥78,300 by the end of March 2007 from ¥71,300 on 29 September 2006 (being the last trading day in September 2006). As at 13 July 2007, being the last trading day before the Latest Practicable Date, the closing price of eAccess's Shares was ¥71,900, representing a decrease of approximately 8.17% of that as at 30 March 2007 (being the last trading day in March 2007). As mentioned above, the Group's investment in eMobile is unlisted and there is no liquid exit for such investment. The valuation of such investment depends on a number of assumptions which may or may not come true. Whilst it is possible that the Group's investment in eMobile may be worth as much as the present valuation or more, it is also possible that the performance of eMobile may deviate from the expectations and the value of the Group's investment in eMobile may be materially and adversely affected. Although the net asset value per Share is higher than the offer price of the Share Offer, we consider there to be risks that the Affected Shareholders may not be actually able to realize such book value in the short-term, in particular given that (i) although listed securities held by the Group accounted for a significant part of the Group's net asset value (approximately 23.2% of the consolidated total assets of the Group as at 31 March 2007), a significant portion of the Group's financial investments comprise unlisted securities (approximately 23.8% of the consolidated total assets of the Group as at 31 March 2007) without a proven track record and ready market for their sale and accordingly there is uncertainty as to the realizable value of such investments; (ii) there will be transaction costs in realizing the assets (such as professional fees, brokerage, stamp duties and so forth in respect of securities and properties, etc.); and (iii) the exchange rate of Japanese Yen against Hong Kong dollar is relatively volatile and a significant part of the Group's assets are denominated in Japanese Yen.

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The table below sets out the aggregate number of Shares traded on market from May 2006 to June 2007.

	Average daily closing price (HK\$)	Monthly aggregate turnover	Percentage to the total number of Shares in issue (Note 1)	Percentage to the total number of Affected Shares (Note 2)
June 2007	0.771	39,516,000	8.46%	20.74%
May 2007	0.722	74,640,000	15.99%	39.18%
April 2007 (Note 3)	0.560	19,682,000	4.22%	10.33%
March 2007	0.447	13,899,983	2.98%	7.30%
February 2007	0.430	14,727,000	3.15%	7.73%
January 2007	0.416	9,939,000	2.13%	5.22%
December 2006	0.453	4,748,000	1.02%	2.49%
November 2006	0.484	3,084,000	0.66%	1.62%
October 2006	0.492	2,204,000	0.47%	1.16%
September 2006	0.512	3,826,000	0.82%	2.01%
August 2006	0.550	15,314,000	3.28%	8.04%
July 2006	0.597	3,838,000	0.82%	2.01%
June 2006	0.595	3,274,280	0.70%	1.72%
May 2006	0.621	4,372,000	0.94%	2.29%

Notes:

- (1) Based on 466,886,000 Shares in issue.
- (2) Based on 190,524,400 Shares.
- (3) Trading of the Shares was suspended from 2 April 2007 to 16 April 2007.

Trading in the Shares increased substantially after the announcement of the Share Offer on 16 April 2007. From May 2006 to June 2007, the percentage of the monthly aggregate turnover of the Shares on the Stock Exchange to the total number of Shares in issue ranged from 0.47% to 15.99% and that to the total number of Affected Shares ranged from 1.16% to 39.18%. The simple average monthly turnover to the total number of Shares in issue is approximately 3.67% and to the total number of Affected Shares is approximately 8.98% for the past 12 completed calendar months. Although the trading volume was not high, there has been consistent trading activities on market. Under an efficient market, we assume that the average traded market price over a reasonable period of time should help reflect the expected value of the Company as well as the Shares. As stated in the paragraph headed “Share price and trading volume of the Shares”, over the past twelve months Shares were mostly traded below the offer price and the net asset value per Share. This in turn reflects that the market generally expects that a discount should be taken into account when valuing the Company and the Shares. Accordingly, we consider that it is understandable and reasonable that a

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discount to the net asset value per Share is applied when determining the offer price to buy the Shares in particular in view of the share price performance prior to the making of the Announcement.

Share price and trading volume of the Shares

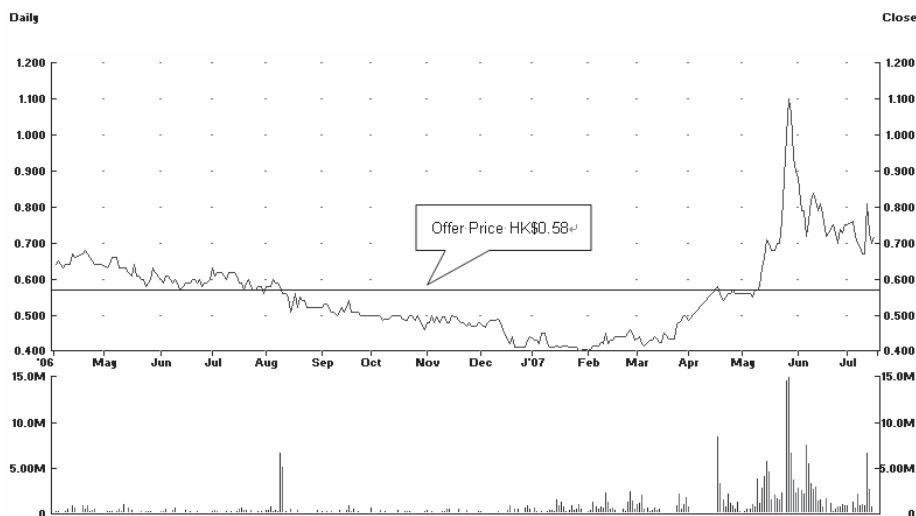
The offer price of HK\$0.580 per Affected Share represents:

- (i) a premium of approximately 19.59% over the closing price of HK\$0.485 per Share as quoted on the Stock Exchange on 30 March 2007, being the last trading day prior to the suspension of trading in the Shares pending the release of the Announcement (the “Last Trading Day”);
- (ii) a premium of approximately 24.20% over the average closing price of approximately HK\$0.467 per Share for the 10 trading days up to and including the Latest Trading Day;
- (iii) a premium of approximately 30.04% over the average closing price of approximately HK\$0.446 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 31.82% over the average closing price of approximately HK\$0.44 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 20.33% over the average closing price of approximately HK\$0.482 per Share based on the daily closing prices as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day; and
- (vi) a discount of approximately 19.44% to the closing price of HK\$0.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a discount of approximately 19.11% to the average closing price of approximately HK\$0.717 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Latest Practicable Date;
- (viii) a discount of approximately 22.97% to the average closing price of approximately HK\$0.753 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Latest Practicable Date;

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- (ix) a discount of approximately 7.35% to the average closing price of approximately HK\$0.626 per Share based on the daily closing price as quoted on the Stock Exchange for the 90 trading days up to and including the Latest Practicable Date; and
- (x) a premium of approximately 7.41% over the average closing price of approximately HK\$0.540 per Share based on the daily closing price as quoted on the Stock Exchange for the 180 trading days up to and including the Latest Practicable Date.

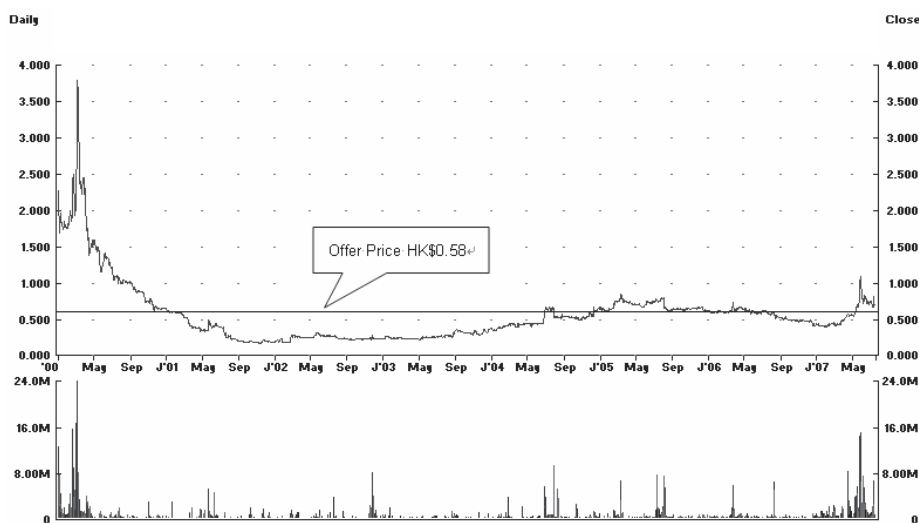
The chart below illustrates the daily closing prices per Share and daily trading volume of the Shares as quoted on the Stock Exchange from the date falling twelve months prior to the date of the Announcement and up to and including the Latest Practicable Date.



Data source: infocast

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The chart below shows the daily closing prices per Share and daily trading volume of the Shares quoted on the Stock Exchange since 2000.



Data source: infocast

The following table sets out, for the 12 completed months prior to the date of the Announcement and the period from the date of the Announcement to the Latest Practicable Date, the average daily closing price of the Shares and a comparison of such to the offer price.

	Average daily closing price HK\$	Offer Price premium over/ (discount to) the average daily closing price %
July 2007 (up to the Latest Practicable Date)	0.717	(19.11)
June 2007	0.771	(24.77)
May 2007	0.722	(19.71)
April 2007 (<i>Note</i>)	0.560	3.57
March 2007	0.447	29.75
February 2007	0.430	34.88
January 2007	0.416	39.42
December 2006	0.453	28.04
November 2006	0.484	19.83
October 2006	0.492	17.89
September 2006	0.512	13.28
August 2006	0.550	5.45
July 2006	0.597	(2.85)
June 2006	0.595	(2.52)
May 2006	0.621	(6.60)

Note: Trading in the Shares was suspended from 2 April 2007 to the date of the Announcement.

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Since early 2000, the closing price of the Shares declined from a high of HK\$3.80 per Share on 7 March 2000 to a low of HK\$0.171 per Share on 13 and 14 November 2001. The closing price of the Shares fell to HK\$0.58 per Share on 20 February 2001 and increased back to HK\$0.59 per Share on 29 June 2004. The closing prices of the Shares from 29 June 2004 to the Latest Practicable Date, were generally within the range of HK\$0.4 per Share to HK\$0.8 per Share (except for 10 March 2005, 11 March 2005, 14 March 2005, 25 May 2007 to 1 June 2007, 8 June 2007 to 12 June 2007, 14 June 2007 and 11 July 2007). From April 2006 to the Latest Practicable Date (covering the 12 months prior to the Announcement and the period from the Announcement up to the Latest Practicable Date), (i) the Shares were traded within a range of HK\$0.40 to HK\$1.10 per Share, (ii) the median closing price per Share was HK\$0.53 and (iii) the average closing price per Share was approximately HK\$0.56. The Company published its results for the year ended 31 March 2006 on 17 July 2006. During the period between July 2006 and February 2007, the closing prices of the Shares were in a generally declining trend. Since 10 August 2006 and up to the Last Trading Day, Shares were traded below the offer price. The closing price of the Shares rose from HK\$0.485 per Share on the Last Trading Day to HK\$0.58 per Share, equal to the offer price, on the day when trading in the Shares resumed after the release of the Announcement. The closing prices fluctuated in the range of HK\$0.54 per Share to HK\$0.57 per Share from 18 April 2007 to 9 May 2007. From 10 May 2007 to the Latest Practicable Date, the closing prices of the Shares have not been less than the offer price. The increase in the closing price of the Shares was in line with the overall performance of the Hong Kong stock market. From 10 May 2007 to the Latest Practicable Date, the Hang Seng Index rose from 20,746 points to 22,954 points, representing an increase of approximately 10.64%. Liquidity of the Shares traded on the Stock Exchange also increased significantly after the Announcement which has afforded the Affected Shareholders some opportunity to realize their investments in the Shares on the market at a price higher than the offer price if they so wish. Shareholders should note that the recent closing price per Share is relatively high as compared to the trading prices of the Shares during the past twelve months prior to the Announcement. In the past five years, Shares were mostly traded below the offer price of HK\$0.58 per Share. There is a risk that the market price of the Shares may not continue to maintain at the current level, in particular, in the absence of any major business development of the Group.

As explained in the paragraph headed “net asset value” above, we consider that the average market price of the Shares over a reasonable period of time should reflect the market’s assessment of the valuation of the Company. The offer price of HK\$0.58 per Share is higher than the average closing price per Share and the median closing price per Share from April 2006 to the Latest Practicable Date.

We also consider that the value of the Company heavily depends on the net asset value of the Group given the business and financial position of the Group. The table below shows the discount of the average closing price per Share (on an ex-dividend basis) for the 30 days immediately after the date of release of the results of each of the financial years ended 31 March 2005 and 2006 or the interim results for each of the

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six-month periods ended 30 September 2005 and 2006 to the audited net asset value per Share as at the end of that financial year/interim period.

	(audited) As at 31 March 2007	(unaudited) As at 30 Sep 2006	(audited) As at 31 March 2006	(unaudited) As at 30 Sep 2005	(audited) As at 31 March 2005
Number of Shares as at relevant period end dates	466,886,000	466,886,000	466,886,000	466,886,000	466,886,000
Net assets (HK\$)	318,153,598	290,635,219	318,171,446	322,506,747	395,175,229
Net assets per Share (HK\$)	0.68	0.62	0.68	0.69	0.85
Interim/final dividends per Share (HK\$)	–	0.01	0.04	0.02	0.11
Net assets less dividends per Share (HK\$)	0.68	0.61	0.64	0.67	0.74
30-day average of the closing price less dividend entitlement following the result announcement date (or from the announcement date to the Latest Practicable Date) (HK\$)	0.71	0.42	0.54	0.60	0.65
Discount/(Premium)	(4%)	31%	16%	10%	12%

The above information shows that Shares have been traded at a discount to the net asset value per Share for a reasonable period of time. We believe that this indicates that the market generally expects the value of the Shares to be at a discount to the net asset value per Share. Based on this, we consider that it reasonable for the Share Offer to be made at a discount to the net asset value of the Group. The discounts of the offer price to the net asset value per Share as at (i) 30 September 2006 and (ii) 31 March 2007, fall within the above historical range of discounts of the offer price to the net asset value per Share.

Prior to the Announcement, the trading volume of the Shares had not been high. During the 12 months prior to the Announcement, the average daily trading volume of the Shares was about 368,356 Shares or approximately 0.08% of the issued share capital of the Company or approximately 0.19% of the Shares held by the Affected Shareholders as at the Latest Practicable Date. After the Announcement, the trading volume of the Shares increased. From the trading day immediately following the date of the Announcement to the Latest Practicable Date, the average daily trading volume of the Shares was about 2,461,310 Shares or approximately 0.53% of the issued share capital of the Company or approximately 1.29% of the Shares held by the Affected Shareholders as at the Latest Practicable Date. The recent increase in share price and trading volume has afforded the Affected Shareholders with some opportunity to realize their investments in the Shares if they so wish.

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Past privatization transactions in Hong Kong

The following table summarises all the successful privatization transactions, to the best of our knowledge, on the main board of the Stock Exchange announced since 1 January 2005 up to and including the date of the Announcement (the “Past Transactions”).

	Date of announcement	Company	Offer price (HK\$)	Approximate premium of offer price over the closing price/average closing price prior to the relevant announcement			
				Last trading day	Last 30 trading days	Last 90 trading days	Last 180 trading days
1.	3 May 2005	Hutchison Global Communications Holdings Limited	0.65	36.8%	43.8%	45.3%	43.2%
2.	19 May 2005	Henderson China Holdings Limited	8.00	66.7%	64.3%	68.6%	85.9%
3.	2 November 2005	New World TMT Limited	0.75	78.6%	70.1%	63.7%	51.00%
4.	12 November 2005	Sinopec Zhenhai Refining & Chemical Company Limited	10.6	12.2%	24.8%	31.7%	28.8%
5.	16 March 2006	Asia Aluminum Holdings Limited	1.45	26.1%	49.7%	81.6%	80.9%
6.	31 March 2006	China Resources Cement Holdings Limited	2.45	35.4%	70.0%	90.8%	91.3%
7.	8 June 2006	China National Aviation Company Limited	2.80	42.1%	49.8%	60.0%	67.6%
8.	28 June 2006	SNP Leefung Holdings Limited	1.68	60.0%	66.9%	44.2%	43.1%
9.	10 July 2006	Egana Jewellery & Pearls Limited	1.80	13.9%	23.6%	22.9%	37.1%
10.	4 September 2006	Winsor Industrial Corporation Ltd.	5.50	48.7%	70.9%	68.6%	62.4%
11.	17 November 2006	Saint Honore Holdings Limited	2.95	43.9%	58.9%	57.3%	53.4%
	Lowest			12.2%	23.6%	22.9%	28.8%
	Highest			78.6%	70.9%	90.8%	91.3%
	Past Transactions average			42.2%	53.9%	57.7%	58.6%
	Share Offer		0.58	19.6%	30.0%	31.8%	20.3%

Source: Bloomberg

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Please note that the above information is presented for the Affected Shareholders' reference only. The above companies which were the subjects of the Past Transactions are engaged in different businesses from the Company's. The backgrounds of the privatizations and the trading histories of the shares of each of such companies were also different. In addition, each of the Past Transactions was carried out at a different time under different market sentiment to the Offers. We consider that it should be more meaningful for the Affected Shareholders to pay more attention to the historical Share price performance and the relationship of the Share price to the net asset value per Share as described in details above.

Therefore, any comparison of the Offers with the Past Transactions is solely for illustration purposes only. We do not believe that it would be particularly meaningful to attempt to draw any conclusions from such comparisons as such may not necessarily reflect any perceived or actual market valuation of the Company.

Affected Options

The Offeror conditionally offers to purchase the Affected Options for cash at a price of HK\$0.01 per Option payable to the holder of the Affected Options.

The exercise price of the Affected Options of HK\$1.41 per Share exceeds the offer price of HK\$0.58 per Affected Share. On this basis, the Affected Options are considered to be out-of-the-money and to have no intrinsic value to the Affected Option-holder based on the offer price. As compared with the recent market price, the Affected Options are also out-of-the-money. As a result, although the consideration for the cancellation of the Affected Options is nominal, we consider the terms of the Option Offer to be fair and reasonable.

All outstanding Options, if neither exercised nor tendered under the Option Offer, will lapse after one month from the date on which the Offeror and the Excluded Shareholders notify Shareholders of their intention to exercise their rights of compulsory acquisition. The holders of the Options who wish to exercise the Options and accept the Share Offer or to accept the Option Offer should note the expected timetable for the Offers as set out in the Offer Document and take appropriate action accordingly.

CONCLUSION

Having considered the principal factors as discussed above, and in particular that:

- we consider that the value of the Shares mainly depends on the net asset value per Share as most of the Group's return is derived from the Group's passive investments in certain available-for-sale financial assets which accounted for approximately 47.0% of the total assets of the Group as at 31 March 2007;
- although the offer price of the Share Offer represents a discount to the net asset value per Share based upon the audited net assets of the Group as at 31 March 2007, the Shares had been traded at a discount to the net asset value per Share

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over the past few years which should reflect the value ascribed by the market to the Company and the discount of the offer price to the net asset value per Share as at 31 March 2007 falls within the historical trading range in the past twelve months;

- whilst approximately 49.3% of the Group's available-for-sale financial assets as at 31 March 2007 were listed investments with reasonable trading liquidity, the share price of the securities, in particular eAccess's, has been volatile; the share price of eAccess decreased from ¥91,000 per Share as at 31 March 2006 to ¥71,300 per Share as at 29 September 2006 and increased back to ¥78,300 per Share as at 30 March 2007 but dropped again to ¥71,900 per Share as at 13 July 2007, being the last trading day prior to the Latest Practicable Date;
- approximately 50.7% of the Group's available-for-sale financial assets as at 31 March 2007 were unlisted investments which are subject to relatively high industry and business risks (such as competition and rapid technology change) and illiquidity;
- the value of the Company is also subject to a relatively substantial exchange rate risk of Japanese Yen against Hong Kong dollar; and
- all the Affected Options are out-of-the-money,

we are of the opinion that the terms of the Offers are on a balance fair and reasonable but not generous and advise the Independent Board Committee to recommend the Affected Shareholders to consider accepting the Share Offer. However, given that the Shares have recently been trading above the offer price since 10 May 2007 and the trading volume of the Shares on market has also increased after the date of the Announcement, before tendering any acceptance for the Share Offer, those Affected Shareholders should first consider realizing their investments in the Company on market at a price above the offer price. Only when they are unable to sell their Shares on market at a price higher than the offer price (net of expenses), they may then wish to consider accepting the Share Offer.

In respect of the Option Offer, as the Affected Options are considered out-of-the-money based on both the offer price and recent market prices, we recommend the Independent Board Committee to advise the Affected Option-holder to accept the Option Offer.

Those Affected Shareholders who are concerned about the possible failure of the Offers and that the Share price may fall back to previous lower levels existing prior to the Announcement may consider disposing of their Shares in the open market before the Offers close, particularly if the market price exceeds the offer price.

If the Affected Option-holder/Affected Shareholders believe that the Company will perform better in the future (taking into account their assessment of the business prospects of eAccess, eMobile and the investment return of the Argo II Funds) and believe that such performance will be reflected in the future Share price, they may wish to hold onto their investments in the Company by not accepting the Offers. However, they should note that such investments in eAccess and eMobile may involve substantial risks and the trading

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prices and volume of the Shares are relatively high as compared with that over the past twelve months prior to the Announcement and there is no guarantee that the Shares will continue to be traded at prices higher than the offer price, in particular, in the absence of any major business development. In addition, by not accepting the Share Offer, the privatization may fail and there is a possibility that Share price may fall back to the lower levels existing prior to the issue of the Announcement.

All Affected Shareholders should carefully consider all factors and exercise their own judgement in respect of the merits and drawbacks of accepting or declining the Offers as every Affected Shareholder may have different investment concerns and objectives.

As set out in the Offer Document, the making of the Offers to persons not resident in Hong Kong may be subject to the laws of the relevant jurisdictions. Such persons should inform themselves appropriately and observe any applicable legal or regulatory requirements. It is the responsibility of any overseas Affected Shareholders wishing to accept the Offers to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Yours faithfully,
For and on behalf of
OSK Asia Capital Limited
John Maguire Allen Tze
Managing Director Director

In this letter, amounts expressed in US\$, ¥ and £ have been translated into HK\$ at various exchange rates of US\$1 = HK\$7.82, ¥100 = HK\$6.42 and £1 = HK\$15.92 (or otherwise indicated in the letter) for illustrative purposes only. No representation is made that any amount in Hong Kong dollars, US dollars, Japanese Yen or British pounds could have been or can be converted at the above rates or at any other rates.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

1. THREE-YEAR FINANCIAL SUMMARY

Set out below is a summary of the consolidated income statements of the Company for each of the 3 years ended 31 March 2007. The summary of consolidated income statements for the year ended 31 March 2007 and 2006 are extracted from the annual report for the year ended 31 March 2007 of the Company. The summary for the year ended 31 March 2005 is extracted from the annual report for the year ended 31 March 2005, after taking into account certain restatement as described in Note (i) below.

	For the year ended 31 March		
	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i> (as restated)	2005 <i>HK\$'000</i> (as restated)
Turnover	<u>73,784</u>	<u>41,029</u>	<u>25,042</u>
Profit before taxation	8,650	24,982	86,531
Taxation (charge)/credit	<u>(1,031)</u>	<u>–</u>	<u>–</u>
Profit after taxation	7,619	24,982	86,531
Minority interests	<u>–</u>	<u>–</u>	<u>–</u>
Profit attributable to equity holders	<u>7,619</u>	<u>24,982</u>	<u>86,531</u>
Dividends paid	<u>4,668</u>	<u>28,013</u>	<u>60,695</u>
Earnings per share	<u>1.6 cents</u>	<u>5.4 cents</u>	<u>18.5 cents</u>
Dividends per share	<u>1 cent</u>	<u>6 cents</u>	<u>13 cents</u>

Notes:

- (1) Certain foreign currency denominated available-for-sale financial assets of the Group were classified as monetary securities in prior years, for which, the translation differences were recognised in the income statement in accordance with the Group's accounting policies.

In the year ended 31 March 2007, the Group has reassessed the foreign currency denominated available-for-sale financial assets with reference to HKAS 39 "Financial Instruments: Recognition and Measurement" and considered the available-for-sale financial assets should be accounted for as equity securities (i.e. non-monetary financial assets). Accordingly, the unrealised translation differences should be taken to the investment revaluation reserve in equity.

The financial statements of the year ended 31 March 2006 and 2005 have been restated to reflect this reassessment in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of the restatement on those financial statements is summarised below:

	<i>HK\$</i>
Increase in other gains – net, for the year ended 31 March 2006	11,851,569
Decrease in investment revaluation reserve, as at 31 March 2006	12,951,669
Increase in other gains – net, for the year ended 31 March 2005	1,100,100
Decrease in investment revaluation reserve, as at 31 March 2005	1,100,100
Increase in retained earnings, as at 1 April 2005	1,100,100
Increase in retained earnings, as at 31 March 2006	12,951,669

- (2) There were no qualifications in the auditors' report on the consolidated financial statements for each of the three financial years ended 31 March 2007 as contained in the annual reports for respective years.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

2. AUDITED ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

Set out below are the audited consolidated financial statements of the Company together with the relevant notes as extracted from the annual report of the Company for the year ended 31 March 2007.

Consolidated Balance Sheet

As at 31 March 2007

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i> <i>(As restated)</i> <i>(Note 24, 37)</i>
ASSETS			
Non-current assets			
Land use rights	<i>6</i>	16,766,631	17,695,935
Property, plant and equipment	<i>7</i>	2,552,065	2,603,471
Investment property	<i>8</i>	19,500,000	19,500,000
Available-for-sale financial assets	<i>10</i>	197,677,575	162,369,952
Long-term pledged deposits	<i>11</i>	52,511,340	–
Long-term deposits	<i>12</i>	<u>2,634,581</u>	<u>–</u>
		<u>291,642,192</u>	<u>202,169,358</u>
Current assets			
Trade receivables	<i>13</i>	13,831,572	5,011,985
Other receivables, deposits and prepayments	<i>14</i>	7,596,316	7,863,550
Pledged deposits	<i>15</i>	50,174,040	81,934,830
Short-term deposits	<i>16</i>	–	9,016,321
Cash and cash equivalents	<i>17</i>	<u>57,028,051</u>	<u>91,151,138</u>
		<u>128,629,979</u>	<u>194,977,824</u>
Total assets		<u><u>420,272,171</u></u>	<u><u>397,147,182</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	<i>18</i>	46,688,600	46,688,600
Reserves	<i>19</i>	<u>271,464,998</u>	<u>271,482,846</u>
Total equity		<u><u>318,153,598</u></u>	<u><u>318,171,446</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

Consolidated Balance Sheet (Continued)

As at 31 March 2007

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i> <i>(As restated)</i> <i>(Note 24, 37)</i>
LIABILITIES			
Non-current liability			
Bank borrowings, secured	20	50,190,764	32,811,719
Deferred income tax liabilities	22	1,030,872	—
		-----	-----
		51,221,636	32,811,719
		-----	-----
Current liabilities			
Advance subscriptions and licence fees received		2,564,310	2,058,517
Customer deposits		508,500	542,354
Bank borrowings, secured	20	38,817,407	38,367,264
Trade and other payables	21	9,006,720	5,195,882
		-----	-----
		50,896,937	46,164,017
		-----	-----
Total liabilities		<u>102,118,573</u>	<u>78,975,736</u>
Total equity and liabilities		<u>420,272,171</u>	<u>397,147,182</u>
Net current assets		<u>77,733,042</u>	<u>148,813,807</u>
Total assets less current liabilities		<u>369,375,234</u>	<u>350,983,165</u>

The notes on pages 50 to 86 are an integral part of these financial statements.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

Balance Sheet

As at 31 March 2007

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
ASSETS			
Non-current assets			
Interests in subsidiaries	9	176,282,617	178,183,815
Current assets			
Other receivables, deposits and prepayments	14	318,345	280,038
Short-term deposit	16	–	6,400,000
Cash and cash equivalents	17	41,734,016	41,737,323
		42,052,361	48,417,361
Total assets		218,334,978	226,601,176
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	46,688,600	46,688,600
Reserves	19	171,163,660	179,427,680
Total equity		217,852,260	226,116,280
LIABILITIES			
Current liabilities			
Other payables and accrued expenses		482,718	484,896
Total liabilities		482,718	484,896
Total equity and liabilities		218,334,978	226,601,176
Net current assets		41,569,643	47,932,465
Total assets less current liabilities		217,852,260	226,116,280

The notes on pages 50 to 86 are an integral part of these financial statements.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

Consolidated Income Statement
For the year ended 31 March 2007

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i> <i>(As restated)</i> <i>(Note 24)</i>
Revenue	5	73,784,184	41,028,514
Cost of sales	25	<u>(60,802,709)</u>	<u>(31,265,511)</u>
Gross profit		12,981,475	9,763,003
Other income	23	14,326,998	10,848,345
Other gains – net	24	928,710	22,605,178
Selling and distribution costs	25	(1,612,791)	(1,448,726)
General and administrative expenses	25	<u>(17,020,528)</u>	<u>(16,442,989)</u>
Operating profit		9,603,864	25,324,811
Finance costs	26	<u>(953,551)</u>	<u>(343,140)</u>
Profit before income tax		8,650,313	24,981,671
Tax expense	27	<u>(1,030,872)</u>	<u>–</u>
Profit for the year		<u><u>7,619,441</u></u>	<u><u>24,981,671</u></u>
Attributable to:			
Equity holders of the Company	28	7,619,441	24,981,671
Minority interest	28	<u>–</u>	<u>–</u>
		<u><u>7,619,441</u></u>	<u><u>24,981,671</u></u>
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic	30	<u>1.63 cents</u>	<u>5.35 cents</u>
– diluted	30	<u>1.63 cents</u>	<u>5.35 cents</u>
Dividends	29	<u>4,668,860</u>	<u>28,013,160</u>

The notes on pages 50 to 86 are an integral part of these financial statements.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

	Note	Attributable to equity holders of the Company Share capital HK\$	Other reserves HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 April 2005		46,688,600	292,037,164	56,449,465	395,175,229
Opening adjustment for exchange differences arising from translation of available-for-sale financial assets	24	—	(1,100,100)	1,100,100	—
Balance at 1 April 2005, as restated		46,688,600	290,937,064	57,549,565	395,175,229
Fair value losses on available-for-sale financial assets, as restated	19, 24	—	(13,573,141)	—	(13,573,141)
Realisation of reserves on disposal of available-for-sale financial assets	19	—	(27,717,133)	—	(27,717,133)
Dividends relating to 2004/05		—	(51,357,460)	—	(51,357,460)
Dividends relating to 2005/06	29	—	(9,337,720)	—	(9,337,720)
Net expenses recognised directly in equity		—	(101,985,454)	—	(101,985,454)
Profit for the year, as restated	24	—	—	24,981,671	24,981,671
Total recognised income and expense for 2006		—	(101,985,454)	24,981,671	(77,003,783)
Balance at 31 March 2006, as restated		<u>46,688,600</u>	<u>188,951,610</u>	<u>82,531,236</u>	<u>318,171,446</u>
Balance at 1 April 2006, as per above		46,688,600	188,951,610	82,531,236	318,171,446
Fair value gains on available-for-sale financial assets	19, 24	—	15,707,011	—	15,707,011
Net expense recognised directly in equity		—	15,707,011	—	15,707,011
Profit for the year		—	—	7,619,441	7,619,441
Dividends relating to 2005/06	29	—	—	(18,675,440)	(18,675,440)
Dividends relating to 2006/07	29	—	—	(4,668,860)	(4,668,860)
Total recognised income and expense for 2007		—	15,707,011	(15,724,859)	(17,848)
Balance at 31 March 2007		<u>46,688,600</u>	<u>204,658,621</u>	<u>66,806,377</u>	<u>318,153,598</u>

The notes on pages 50 to 86 are an integral part of these financial statements.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

Consolidated Cash Flow Statement
For the year ended 31 March 2007

	<i>Note</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i> <i>(As restated)</i> <i>(Note 24, 37)</i>
Cash flows from operating activities			
Cash used in operating activities	32(a)	(6,023,775)	(10,187,608)
Interest paid		<u>(712,631)</u>	<u>(197,744)</u>
Net cash used in operating activities		<u>-----</u> <u>(6,736,406)</u>	<u>-----</u> <u>(10,385,352)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(752,320)	(558,530)
Purchase of available-for-sale financial assets		(19,600,612)	(34,386,006)
Proceeds from sale of property, plant and equipment	32(c)	–	50,500
Net cash used in deregistration of a subsidiary	32(b)	(3,010)	(3,370)
Disposal of a subsidiary		100	–
Proceeds from sale of available-for-sale financial assets		–	32,369,684
Dividends received from available-for-sale financial assets		4,210,535	2,038,813
Interest received		7,963,873	5,576,293
Increase in pledged deposit		(20,750,550)	(30,345,758)
Increase in long-term deposits		(2,634,581)	–
Decrease/(increase) in short-term deposits		<u>9,016,321</u>	<u>(9,016,321)</u>
Net cash used in investing activities		<u>-----</u> <u>(22,550,244)</u>	<u>-----</u> <u>(34,274,695)</u>
Cash flows from financing activities			
New bank borrowing		17,480,361	32,446,755
Dividends paid	29	<u>(23,344,300)</u>	<u>(60,695,180)</u>
Net cash used in financing activities		<u>-----</u> <u>(5,863,939)</u>	<u>-----</u> <u>(28,248,425)</u>
Net decrease in cash and cash equivalents		(35,150,589)	(72,908,472)
Cash and cash equivalents at beginning of the year		91,151,138	160,122,793
Exchange gains on cash and cash equivalents		<u>1,027,502</u>	<u>3,936,817</u>
Cash and cash equivalents at end of the year	17	<u>-----</u> <u>57,028,051</u>	<u>-----</u> <u>91,151,138</u>

The notes on pages 50 to 86 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements**1 GENERAL INFORMATION**

ABC Communications (Holdings) Limited (the “Company”) is an investment holding company. Its subsidiaries (together the “Group”) are principally engaged in providing financial information services, wireless applications development, securities trading system licensing, property and investment holding.

The Company is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The immediate holding company and ultimate holding company is H.C.B.C. Enterprises (BVI) Limited, a company incorporated in the British Virgin Islands.

These consolidated financial statements are presented in Hong Kong dollars unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors on 4 July 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, building and available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

- (a) Amendments to existing standards that are first effective for the current accounting period beginning on or after 1 January 2006 and are relevant to the Group’s operations:

HKAS 21 Amendment	The effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 and IFRS 4 Amendment	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of preparation (Continued)**

- (b) The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 May 2006 or later periods that the Group has not early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

2.2 Consolidation

The consolidated financial statements include the financial statements of Company and all its subsidiaries made up to 31 March.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairments indicator of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investment in a subsidiary is stated at cost less provision for impairment losses (Note 2.7). The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.4 Foreign currencies translation***(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in the income statement and other changes in carrying amount are recognised in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

2.5 Property, plant and equipment

Building comprises mainly office. Building is shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.5 Property, plant and equipment (Continued)**

Increase in the carrying amount arising on revaluation of building is credited to other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are expensed in the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset expensed in the income statement and depreciation based on the asset's original cost is transferred from other reserves to retained earnings.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives as follows:

Building	25 – 40 years
Leasehold improvements	3 – 5 years
Computer equipment	3 years
Furniture and fixtures	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimate recoverable amount (Note 2.7).

Gains or losses on disposal are determined by comparing the sales proceeds with carrying amount and are recognised within other (losses)/gains – net in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease. Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the income statement.

Subsequent expenditure is charged to the asset as carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement as part of "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.6 Investment property (Continued)**

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under HKAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment. Assets there are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial Assets*(a) Classification*

From 1 April 2004, the Group classified its financial assets as available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trades and other receivables in the balance sheet (Note 2.9).

(b) Recognition and initial measurement

Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.8 Financial Assets (Continued)***(d) Gains or losses on subsequent measurement and interest income*

Available-for-sale financial assets

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale financial assets as analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences in monetary securities are recognised in income statement; translation differences on non-monetary services are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statements as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transaction, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Some of the Group's investments in private companies classified as available-for-sale financial assets is recognised in the balance sheet at cost less impairment losses as these investments do not have a quoted market price in an active market and the fair value cannot be reliably measured. If there is objective evidence that the investment has been impaired, such impairment would be recognised in the income statement.

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method less provision for impairment.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss-is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.9 Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered as an indicator that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for accounts receivables. Subsequent recoveries of amounts previously written off are credited against other operating expenses in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.11 Share capital

Ordinary shares are classified as equity.

2.12 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.13 Deferred income tax

Deferred income taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.14 Employee benefits**

(a) *Employee entitlements for annual leave are recognised when they accrue to employees.*

Employee entitlements for sick leave and maternity leave are not recognised until the time of leave.

(b) *The Group operates two defined contribution schemes for all qualified employees as follows:*

Occupational Retirement Contributions Scheme

The Group operates an occupational retirement scheme registered under the Hong Kong Occupational Retirement Scheme Ordinance (Cap. 426). This scheme has been granted exemption pursuant to Section 5 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“the MPF Ordinance”). The employees are either not required to make contribution or required to contribute an amount equal to 5% of the basic monthly salary and the employer’s monthly contribution is at a range of 5% to 10% of employees’ basic monthly salary. The Group’s contributions to the scheme may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

Mandatory Provident Fund Scheme

The Group also joins a mandatory provident fund scheme (“the MPF Scheme”) under the MPF Ordinance. Where staff elects to join the MPF Scheme, both the Group and staff are required to contribute 5% of the employees’ relevant income (capped at HK\$2,000 per month). Contributions from the employer are 100% vested in the employees as soon as they are paid to the relevant MPF Scheme but all benefits derived from the mandatory contributions must be preserved until the employee reaches the retirement age of 65 subject to certain exceptions. Staff may elect to contribute more than the minimum as a voluntary contribution.

Contributions for the above schemes are charged to the income statement as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group and managed by independent professional fund manager.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.16 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown as follows:

- (i) Financial quotation subscription fee income is recognised on a straight-line basis over the subscription period.
- (ii) Revenue from securities trading system licensing and wireless applications is recognised when services are rendered.
- (iii) Dividend income is recognised when the Company's right to receive payment is established.
- (iv) Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.
- (v) Rental income is recognised on a straight-line basis over the lease term.

2.17 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's investment policy is to prudently invest all funds of the Group in a manner which will satisfy liquidity requirements, safeguard financial assets, and manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and equity price risk) and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Investment is governed by investment policies and risk management guidelines approved by the Board. Investment restrictions and guidelines form an integral part of risk control.

3.1 Market risk*(a) Foreign exchange risk*

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates mainly relating to investments and borrowings denominated in Japanese Yen and United States Dollars.

To manage the foreign exchange risk arising from the recognised assets and liabilities, the Group finances its Japanese denominated assets with the borrowings that are denominated in the same currency. For the United States Dollars, as it is linked with Hong Kong Dollars the foreign exchange risk is minimal.

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Market risk (Continued)***(b) Equity price risk*

The Group is exposed to equity price risk as listed equities are held as part of the available-for-sale financial assets.

3.2 Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are made for losses that have been incurred at the balance sheet date. The Group has policies in place to ensure that services are made to customers with appropriate credit history.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment property

The investment property of the Group was stated at fair value in accordance with the accounting policy stated in Note 2.6. The fair value of the investment property is determined by the directors of the Group with reference to the property valuation performed by Vigers Appraisal & Consulting Limited, a firm of independently qualified professional values. The fair value of investment property at the balance sheet date is set out in Note 8. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgment, consideration has been given to assumptions that are mainly based on market conditions existing at the balance sheet date and appropriate capitalization rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(b) Estimate of fair value of available-for-sale financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Group uses discounted cash flow analysis for various available-for-sale financial assets that were not traded in active markets.

(c) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(d) Property, plant and equipment and depreciation

The Group depreciates the building and related improvements on a straight-line basis over their useful life. The Group depreciates the equipment on a straight-line basis over their estimated useful life of 3-5 years, commencing from the dates that the Group placed the equipment into productive use. The estimated useful life and dates that the Group places the equipment into productive use reflects the directors' estimation of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

5 SEGMENT INFORMATION

Primary reporting format – business segments

At 31 March 2007, the Group is organised on a worldwide basis into three main business segments:

- Financial quotation and securities trading system licensing
- Wireless applications
- Corporate activities and investment holdings – holding of corporate assets and liabilities

Turnover consists of financial quotation subscription fee, sales from securities trading system licensing and wireless applications.

The segment results for the year ended 31 March 2007 are as follows:

	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Turnover	73,003,982	780,202	–	73,784,184
Operating profit/(loss)	2,400,435	(1,074,812)	8,278,241	9,603,864
Finance costs				(953,551)
Profit before income tax				8,650,313
Tax expense				(1,030,872)
Profit for the year				7,619,441

The segment results for the year ended 31 March 2006 are as follows:

	Financial quotation and securities trading system licensing HK\$	Wireless applications HK\$	Corporate activities and investment holdings HK\$	Total HK\$
Turnover	40,704,607	323,907	–	41,028,514
Operating profit/(loss), as restated (<i>Note 24</i>)	1,547,127	(1,958,346)	25,736,030	25,324,811
Finance costs				(343,140)
Profit before income tax, as restated (<i>Note 24</i>)				24,981,671
Tax expense				–
Profit for the year, as restated (<i>Note 24</i>)				24,981,671

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

5 SEGMENT INFORMATION (Continued)

Primary reporting format – business segments (Continued)

Other segment terms included in the consolidated income statements are as follows:

	Year ended 31 March 2007				Year ended 31 March 2006			
	Financial quotation and securities trading system licensing <i>HK\$</i>	Wireless applications <i>HK\$</i>	Corporate activities and investment holdings <i>HK\$</i>	Total <i>HK\$</i>	Financial quotation and securities trading system licensing <i>HK\$</i>	Wireless applications <i>HK\$</i>	Corporate activities and investment holdings <i>HK\$</i>	Total <i>HK\$</i>
Depreciation	720,474	19,014	64,238	803,726	499,099	17,206	1,182,480	1,698,785
Impairment loss on available-for-sale financial assets	-	-	-	-	-	-	4,052,819	4,052,819

The segment assets and liabilities at 31 March 2007 and capital expenditure for the year then ended are as follows:

	Financial quotation and securities trading system licensing <i>HK\$</i>	Wireless applications <i>HK\$</i>	Corporate activities and investment holdings <i>HK\$</i>	Total <i>HK\$</i>
Assets	<u>15,196,174</u>	<u>504,113</u>	<u>404,571,884</u>	<u>420,272,171</u>
Liabilities	<u>12,271,633</u>	<u>125,290</u>	<u>89,721,650</u>	<u>102,118,573</u>
Capital expenditure	<u>710,970</u>	<u>23,741</u>	<u>17,609</u>	<u>752,320</u>

The segment assets and liabilities at 31 March 2006 and capital expenditure for the year then ended are as follows:

	Financial quotation and securities trading system licensing <i>HK\$</i>	Wireless applications <i>HK\$</i>	Corporate activities and investment holdings <i>HK\$</i>	Total <i>HK\$</i>
Assets	<u>8,201,397</u>	<u>127,512</u>	<u>388,818,273</u>	<u>397,147,182</u>
Liabilities	<u>7,524,155</u>	<u>58,755</u>	<u>71,392,826</u>	<u>78,975,736</u>
Capital expenditure	<u>538,946</u>	<u>5,452</u>	<u>14,132</u>	<u>558,530</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

5 SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments

Although the Group's three business segments are managed on a worldwide basis, they operate in three main geographical areas:

Hong Kong	:	Financial quotation, securities trading system licensing, wireless applications and corporate activities and investment holdings
Asia	:	Investment holdings
Canada and United States	:	Investment holdings

The Company which is also the main operating company of the Group operates in Hong Kong.

Turnover is allocated based on the places/countries in which customers are located. All turnover of the Group was generated in Hong Kong.

Total assets

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Hong Kong	223,279,980	235,422,300
Asia		
– Japan	168,919,295	143,711,263
– Others	896	931
Canada and United States	<u>28,072,000</u>	<u>18,012,688</u>
	<u><u>420,272,171</u></u>	<u><u>397,147,182</u></u>

Total assets are allocated based on where the assets are located.

Capital expenditure

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Hong Kong	<u>752,320</u>	<u>558,530</u>

Capital expenditure is allocated based on where the assets are located.

6 LAND USE RIGHTS

The Group's interest in leasehold land represents prepaid operating lease payments and the net book value are analysed as follows:

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
		(As restated)
Lease of between 10 to 50 years and its net book value at 31 March	<u>16,766,631</u>	<u>17,695,935</u>

None of the properties has been pledged as at 31 March 2007 and 2006.

The leasehold land is located at 2/F, Jade Mansion, 40 Waterloo Road, Yaumatei, Kowloon, Hong Kong.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

7 PROPERTY, PLANT AND EQUIPMENT

Group

	Building HK\$	Leasehold improvements HK\$	Computer equipment HK\$	Furniture and fixtures HK\$	Total HK\$
Year ended 31 March 2006					
Opening net book amount at 1 April 2005	2,583,478	979,694	1,038,602	194,931	4,796,705
Additions	–	–	535,354	23,176	558,530
Disposal	(1,041,962)	–	(6,730)	(4,287)	(1,052,979)
Depreciation (<i>note i</i>)	<u>(60,165)</u>	<u>(968,935)</u>	<u>(506,922)</u>	<u>(162,763)</u>	<u>(1,698,785)</u>
Closing net book amount	<u>1,481,351</u>	<u>10,759</u>	<u>1,060,304</u>	<u>51,057</u>	<u>2,603,471</u>
At 31 March 2006					
Cost or valuation	2,552,141	11,185,870	9,669,983	2,765,454	26,173,448
Accumulated depreciation	<u>(1,070,790)</u>	<u>(11,175,111)</u>	<u>(8,609,679)</u>	<u>(2,714,397)</u>	<u>(23,569,977)</u>
Net book amount	<u>1,481,351</u>	<u>10,759</u>	<u>1,060,304</u>	<u>51,057</u>	<u>2,603,471</u>
Year ended 31 March 2007					
Opening net book amount at 1 April 2006	1,481,351	10,759	1,060,304	51,057	2,603,471
Additions	–	–	752,320	–	752,320
Disposal	–	–	–	–	–
Depreciation (<i>note i</i>)	<u>(42,324)</u>	<u>(10,759)</u>	<u>(733,068)</u>	<u>(17,575)</u>	<u>(803,726)</u>
Closing net book amount	<u>1,439,027</u>	<u>–</u>	<u>1,079,556</u>	<u>33,482</u>	<u>2,552,065</u>
At 31 March 2007					
Cost or valuation	2,552,141	11,067,548	10,262,881	2,765,454	26,648,024
Accumulated depreciation	<u>(1,113,114)</u>	<u>(11,067,548)</u>	<u>(9,183,325)</u>	<u>(2,731,972)</u>	<u>(24,095,959)</u>
Net book amount	<u>1,439,027</u>	<u>–</u>	<u>1,079,556</u>	<u>33,482</u>	<u>2,552,065</u>

(i) Depreciation expenses of HK\$803,726 (2006: HK\$1,698,785) has been expensed in General and Administrative expenses. Building was revalued at 31 March 2007 on the basis of its depreciated replacement cost estimated by Vigers Appraisal & Consulting Limited, an independent professional valuer, employed by the Group. The revalued amount as at 31 March 2007 does not differ materially from the carrying amount and no adjustment was made in current year.

(ii) If the building was stated on the historical cost basis, the amounts would be as follows:

	2007 HK\$	2006 HK\$
Cost	3,698,023	3,698,023
Accumulated depreciation	<u>(1,208,020)</u>	<u>(1,134,060)</u>
Net book amount	<u>2,490,003</u>	<u>2,563,963</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

(iii) None of the properties has been pledged as at year ended 31 March 2007 (2006: Nil).

(vi) The analysis of the cost or valuation at 31 March 2007 of the above assets is as follows:

	Building	Leasehold	Computer	Furniture	Total
	improvements	improvements	equipment	and fixtures	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At cost	–	11,067,548	10,262,881	2,765,454	24,095,883
At 2007 professional valuation (<i>note i</i>)	<u>2,552,141</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,552,141</u>
	<u><u>2,552,141</u></u>	<u><u>11,067,548</u></u>	<u><u>10,262,881</u></u>	<u><u>2,765,454</u></u>	<u><u>26,648,024</u></u>

The analysis of the cost or valuation at 31 March 2006 of the above assets is as follows:

	Building	Leasehold	Computer	Furniture	Total
	improvements	improvements	equipment	and fixtures	
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At cost	–	11,185,870	9,669,983	2,765,454	23,621,307
At 2004 professional valuation	<u>2,552,141</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,552,141</u>
	<u><u>2,552,141</u></u>	<u><u>11,185,870</u></u>	<u><u>9,669,983</u></u>	<u><u>2,765,454</u></u>	<u><u>26,173,448</u></u>

8 INVESTMENT PROPERTY

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
At 1 April	19,500,000	18,920,000
Fair value gain (included in other gains – net) (<i>Note 24</i>)	<u>–</u>	<u>580,000</u>
At 31 March	<u><u>19,500,000</u></u>	<u><u>19,500,000</u></u>

Particulars of investment property held by the Group:

Property	Type	Lease term
1/F, Jade Mansion, 40 Waterloo Road, Yaumatei, Kowloon, Hong Kong	Office space	Lease of 50 years

The cost of investment property was HK\$23,980,180 (2006: HK\$23,980,180). The investment property was revalued at 31 March 2007 on the basis of open market value by Vigers Appraisal & Consulting Limited, an independent professional valuer, employed by the Group.

In the income statement, direct operating expenses included HK\$78,942 (2006: HK\$78,582) relating to investment property that was let.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

9 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	253,304,014	253,304,023
Less: Provision for impairment losses	<u>(218,352,675)</u>	<u>(230,828,793)</u>
	----- 34,951,339	----- 22,475,230
Amounts due from subsidiaries	282,446,272	354,058,676
Less: Provision for impairment losses	<u>(140,822,107)</u>	<u>(198,027,232)</u>
	----- 141,624,165	----- 156,031,444
Amounts due to a subsidiary	<u>(292,887)</u>	<u>(322,859)</u>
	<u>176,282,617</u>	<u>178,183,815</u>

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

9 INTERESTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries as at 31 March 2007 are as follows:

Name	Place of incorporation/ operation	Principal activities	Issued and paid up capital	Class of shares held	Interest held	
					Directly	Indirectly
ABC Communications Limited	Hong Kong	Investment holding	HK\$1,000	Ordinary HK\$23,300,000 (non-voting deferred shares)	100%	–
ABC Communications (Cellular) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Communications (Investments) Limited	Hong Kong	Investment holding	HK\$2	Ordinary	–	100%
ABC Financial Information Services Limited	Hong Kong	Financial information services	HK\$30	Ordinary	–	99.95%
ABC Global Limited	British Virgin Islands/Hong Kong	Investment holding	US\$1	Ordinary	100%	–
ABC QuickSilver Limited	British Virgin Islands/Hong Kong	Wireless applications development	US\$25	Ordinary	–	80%
Abcomm Realty Limited	Hong Kong	Property investment	HK\$10,000	Ordinary	–	100%
Abcom Technology Limited	British Virgin Islands/Hong Kong	Investment holding	US\$1	Ordinary	100%	–
Choudary Limited	British Virgin Islands/Hong Kong	Investment holding	US\$10,003	Ordinary	100%	–
Gine Well Properties Limited	Hong Kong	Property investment	HK\$2	Ordinary	–	100%
Lotus Flower International Limited	British Virgin Islands	Investment holding	US\$1	Ordinary	100%	–
On Smart Enterprises Limited	British Virgin Islands/Hong Kong	Investment holding	US\$1	Ordinary	100%	–
QuotePower International Limited	Hong Kong	Financial information services and securities trading system licensing	HK\$67,264,000	Ordinary	–	99.95%

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
As at 1 April	162,369,952	182,399,704
Additions	19,600,612	34,386,006
Disposals	–	(36,789,798)
Exchange differences transferred to equity (<i>Note 19</i>)	1,746,100	(11,998,253)
Changes in fair value transferred to equity (<i>Note 19</i>)	13,960,911	(1,574,888)
Impairment loss charged to income statement	–	(4,052,819)
	<u>197,677,575</u>	<u>162,369,952</u>
	31 March	31 March
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>

Available-for-sale financial assets include the following:

Listed securities		
– Equity securities in Hong Kong (<i>Note a</i>)	686,280	646,000
– Equity securities in Japan (<i>Note b</i>)	96,859,604	111,264,509
Unlisted securities		
– Equity securities in Japan (<i>Note c</i>)	72,059,691	32,446,755
– Internet fund in USA and Canada (<i>Note d</i>)	28,072,000	18,012,688
	<u>197,677,575</u>	<u>162,369,952</u>

The carrying amounts of the available-for-sale financial assets are denominated in the following currencies:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Japanese yen	168,919,295	143,711,264
US dollar	28,072,000	18,012,688
Hong Kong dollar	686,280	646,000
	<u>197,677,575</u>	<u>162,369,952</u>

Notes:

- (a) The investment represents the equity securities invested in Smartone Telecommunications Holdings Limited.
- (b) During the year, no shares in eAccess Limited (“eAccess”), a company listed on the Tokyo Stock Exchange has been disposed. The directors have confirmed that the remaining eAccess shares held through ABC Global Limited are intended as long-term investments.
- (c) During the year, the Group further invested in 3,011 A-2 preferred shares in eMobile Limited, (“eMobile”), a subsidiary of eAccess. The aggregate investment costs of the Group in eMobile amount to approximately HK\$49.93 million as at 31 March 2007. The directors have confirmed that the investment in eMobile held through ABC Global Limited are intended as long-term investments and therefore classified as available-for-sale financial assets in the balance sheet. The Group’s investment in eMobile was revalued to HK\$72.06 million by an independent valuer as at 31 March 2007.
- (d) During the year, the Group made further contributions of approximately HK\$2.12 million to the Wireless Internet Fund. The future cost of investment committed by the Group is shown in Note 33.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

11 LONG-TERM PLEDGED DEPOSITS

The effective interest rate of long-term pledged deposits is as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Long-term deposits	<u>4.71%</u>	<u>–</u>	<u>–</u>	<u>–</u>

The deposits have an average maturity of 1,095 days.

The carrying amounts of the long-term pledged deposits are denominated in the following currency:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
US dollar	<u>52,511,340</u>	<u>–</u>	<u>–</u>	<u>–</u>

Fixed deposits have been placed in banks as securities against the Group's bank loans and certain guarantees provided by the bank.

12 LONG-TERM DEPOSITS

The effective interest rate of long-term deposits is as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Long-term deposits	<u>4.75%</u>	<u>–</u>	<u>–</u>	<u>–</u>

The deposits have an average maturity of 1,095 days.

The carrying amounts of the long-term deposits are denominated in the following currency:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
US dollar	<u>2,634,581</u>	<u>–</u>	<u>–</u>	<u>–</u>

13 TRADE RECEIVABLES

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	13,831,572	5,012,317
Less: provision for impairment of receivables	<u>–</u>	<u>(332)</u>
Trade receivables – net	<u>13,831,572</u>	<u>5,011,985</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

13 TRADE RECEIVABLES (Continued)

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
0 – 3 months	13,285,234	5,003,398
4 – 6 months	546,338	8,587
	13,831,572	5,011,985

The carrying amounts of trade receivables approximate their fair values.

14 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The carrying amounts of the other receivables, deposits and prepayments are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	2,677,039	2,901,496	318,345	280,038
New Taiwan dollar	4,919,277	4,962,054	–	–
	7,596,316	7,863,550	318,345	280,038

The carrying amounts of other receivables, deposits and prepayments approximate their fair values.

15 PLEDGED DEPOSITS

Fixed deposits have been placed in banks as securities against the Group's bank loans and certain guarantees provided by the banks. The carrying amounts of the pledged deposit are denominated in the US dollars.

16 SHORT-TERM DEPOSITS

The effective interest rate of short-term deposits is as follows:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Short-term deposits	–	4.26%	–	4.15%
	–	4.26%	–	4.15%

(2006: The deposits have an average maturity of 208 days.)

The carrying amounts of the short-term deposits are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	–	6,400,000	–	6,400,000
US dollar	–	2,616,321	–	–
	–	9,016,321	–	6,400,000

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cash at bank and in hand	22,135,181	23,166,365	21,649,691	21,337,323
Bank deposits	<u>34,892,870</u>	<u>67,984,773</u>	<u>20,084,325</u>	<u>20,400,000</u>
	<u><u>57,028,051</u></u>	<u><u>91,151,138</u></u>	<u><u>41,734,016</u></u>	<u><u>41,737,323</u></u>

The effective interest rate on bank deposits was 4.48% (2006: 4.39%); these deposits have an average maturity of 43 days (2006: 60 days).

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	20,225,581	22,517,602	19,740,987	20,671,098
US dollar	36,798,831	68,612,063	21,990,286	21,061,330
Others	<u>3,639</u>	<u>21,473</u>	<u>2,743</u>	<u>4,895</u>
	<u><u>57,028,051</u></u>	<u><u>91,151,138</u></u>	<u><u>41,734,016</u></u>	<u><u>41,737,323</u></u>

18 SHARE CAPITAL

	Group and Company	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Authorised:		
600,000,000 ordinary shares of HK\$0.1 each	<u>60,000,000</u>	<u>60,000,000</u>
Issued and fully paid:		
466,886,000 (2006: 466,886,000) ordinary shares of HK\$0.1 each	<u>46,688,600</u>	<u>46,688,600</u>

Share Options:

(a) Expired Scheme

Under the share option scheme of the Company adopted on 12 September 1991 (the “Expired Scheme”), the Directors may, at their discretion, invite full-time employees of the Group, including executive directors, to take up options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares or not less than 80% of the average of the closing prices of the shares of the Company for the five trading days immediately preceding the date of offer of the option. The maximum number of shares in respect of which options may be granted may not exceed 10% of the issued share capital of the Company at the time of granting of the options.

The Expired Scheme expired on 11 September 2001 (“Expiration Date”) without prejudice to the rights and benefits of and attached to those options granted there under which are outstanding as at that date. No further grants were made after the Expiration Date. Following the expiration, the provisions of the Expired Scheme remain in force and effect to the extent necessary to give effect to the exercise of any option granted prior to the Expiration Date.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

18 SHARE CAPITAL (Continued)

Share Options: (Continued)

(a) Expired Scheme (Continued)

The share options granted are not recognised in the financial statements as they are exempted under HKFRS 2 transitional arrangement. As at 31 March 2007, the total number of shares which may be issued pursuant to exercise of options granted under the Expired Scheme was 2,500,000 shares, which represented approximately 0.5% of the total issued share capital of the Company as at 31 March 2007.

Details of the share options outstanding at 31 March 2007 which have been granted to and accepted by the directors under the Expired Scheme are as follows:

Name of director	Date of share options granted	Outstanding options as at 31 March 2007	Exercise price HK\$	Exercise period
Ms. Yeung Shuk Kwan, Patricia	23 February 2000	1,000,000	1.41	23 March 2000 to 22 February 2010
	23 February 2000	1,000,000	1.41	23 February 2001 to 22 February 2010
Mr. George Joseph Ho	23 February 2000	250,000	1.41	23 March 2000 to 22 February 2010
	23 February 2000	250,000	1.41	23 February 2001 to 22 February 2010
		<u>2,500,000</u>		

No options were exercised by the directors during the year.

The outstanding share options granted and being accepted by the directors under the Company's share option scheme were as follows:

Date of share options granted	Outstanding number of options as at 31 March 2007	Exercise price HK\$	Exercise period
23 February 2000	1,250,000	1.41	23 March 2000 to 22 February 2010
23 February 2000	1,250,000	1.41	23 February 2001 to 22 February 2010
		<u>2,500,000</u>	

No share options were granted or exercised during the year.

18 SHARE CAPITAL (Continued)**Share Options: (Continued)****(b) Existing Scheme**

Under the share options scheme (the “Existing Scheme”) approved by the shareholders at a Special General Meeting of the Company held on 27 March 2002 (“Adoption Date”), the Directors may, at their discretion, invite any participants to take up options to subscribe for fully paid ordinary shares (“Shares”) in the Company subject to the terms and conditions stipulated therein.

Details of the Existing Scheme are as follows:

(i) Purpose

The purpose of the Existing Scheme is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any invested entity.

(ii) Participants

The Directors may, at their discretion, invite any Participant including any executive director, non-executive director or employee (whether full time or part time), shareholder, supplier, customers, consultant, adviser, other service provider or any joint venture partner, business or strategic alliance partner, in each case, of the Company, any subsidiary of the Company or any Invested Entity, to take up options to subscribe for Shares in the Company.

*(iii) Maximum number of shares**(1) 30% Limit*

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Scheme and Expired Scheme of the Company must not exceed 30% of the Shares in issue from time to time (the “Scheme Limit”).

(2) 10% Limit

In addition to the Scheme Limit, and subject to the following, the total number of shares which may be issued upon exercise of all options granted under the Existing Scheme and Expired Scheme of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme (excluding any options which have lapsed) (the “Scheme Mandate Limited”).

The Company may, from time to time, renew the Scheme Mandate Limit by obtaining the approval of its shareholders in general meeting. The Company may also seek separate approval by its shareholders in general meeting for granting options beyond the renewed Scheme Mandate Limit provided the options in excess of such limit are granted only to Participants specifically identified.

18 SHARE CAPITAL (Continued)**Share Options: (Continued)****(b) Existing Scheme (Continued)***(iv) Maximum Entitlement of Each Participant*

Unless approved by shareholders of the Company, the total number of securities issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12 month period must not exceed 1% of the Shares in issue. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such Participant and his associates abstaining from voting.

(v) Price of Shares

The exercise price must be at least the higher of: (a) the nominal value of a Share at the date of grant; (b) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a business day and (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.

(vi) Amount payable upon acceptance of the option

Acceptance of an offer of the grant of an option shall be by the delivery to and receipt by the Company at its registered office of the form of acceptance sent to the Participant duly completed and signed by the Participant together with a remittance of HK\$10.

(vii) Time of Exercise of Option

An option shall be exercisable at such time(s) or during such period(s) and subject to such terms, as the Directors may, at their discretion specify, provided that no option shall be exercisable no earlier than one month after and no later than ten years after its date of grant. Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

(viii) The remaining life of the Existing Scheme

The life of the Existing Scheme is 10 years commencing on the Adoption Date and will end on 26 March 2012.

(ix) Shares available for issue under the Existing Scheme

As at 31 March 2007, the total number of shares available for issue under the Existing Scheme was 44,188,600 shares which represented approximately 9.5% of the total issued share capital of the Company.

The share options granted are not recognised in the financial statements as they are exempted under HKFRS 2 transitional arrangement.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

19 RESERVES

	General reserve <i>HK\$</i>	Asset replacement reserve <i>HK\$</i>	Investment revaluation reserve <i>HK\$</i> <small>(As restated) (Note 24)</small>	Contributed surplus <i>HK\$</i>	Share premium <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Capital reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Retained profits <i>HK\$</i> <small>(As restated) (Note 24)</small>	Total <i>HK\$</i> <small>(As restated) (Note 24)</small>
(a) Group										
At 31 March 2005, as previously reported	2,000,000	5,150,000	117,348,914	90,681,578	76,470,297	176,000	278,385	(68,010)	56,449,465	348,486,629
Opening adjustment for exchange differences arising from translation of available-for-sale financial assets	-	-	(1,100,100)	-	-	-	-	-	1,100,100	-
At 31 March 2005, as restated	2,000,000	5,150,000	116,248,814	90,681,578	76,470,297	176,000	278,385	(68,010)	57,549,565	348,486,629
Profit for the year, as restated	-	-	-	-	-	-	-	-	24,981,671	24,981,671
2004/05 final dividends paid	-	-	-	(51,357,460)	-	-	-	-	-	(51,357,460)
2005/06 interim dividends paid	-	-	-	(9,337,720)	-	-	-	-	-	(9,337,720)
Fair value losses on available-for-sale financial assets, as restated	-	-	(13,573,141)	-	-	-	-	-	-	(13,573,141)
Realisation of reserves on disposal of available-for-sale financial assets	-	-	(27,717,133)	-	-	-	-	-	-	(27,717,133)
At 31 March 2006, as restated	2,000,000	5,150,000	74,958,540	29,986,398	76,470,297	176,000	278,385	(68,010)	82,531,236	271,482,846
Profit for the year	-	-	-	-	-	-	-	-	7,619,441	7,619,441
2005/06 final dividends paid	-	-	-	-	-	-	-	-	(18,675,440)	(18,675,440)
2006/07 interim dividends paid	-	-	-	-	-	-	-	-	(4,668,860)	(4,668,860)
Fair value gains on available-for-sale financial assets	-	-	15,707,011	-	-	-	-	-	-	15,707,011
At 31 March 2007	<u>2,000,000</u>	<u>5,150,000</u>	<u>90,665,551</u>	<u>29,986,398</u>	<u>76,470,297</u>	<u>176,000</u>	<u>278,385</u>	<u>(68,010)</u>	<u>66,806,377</u>	<u>271,464,998</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

19 RESERVES (Continued)

	Contributed surplus HK\$	Share Premium HK\$	Capital redemption reserve HK\$	Retained profits HK\$	Total HK\$
(b) Company					
At 31 March 2005	140,737,413	76,470,297	176,000	10,753,052	228,136,762
Profit for the year 2004/05 final	–	–	–	11,986,098	11,986,098
dividends paid	(51,357,460)	–	–	–	(51,357,460)
2005/06 interim dividends paid	<u>(9,337,720)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(9,337,720)</u>
At 31 March 2006	80,042,233	76,470,297	176,000	22,739,150	179,427,680
Profit for the year 2005/06 final	–	–	–	15,080,280	15,080,280
dividends paid	–	–	–	(18,675,440)	(18,675,440)
2006/07 interim dividends paid	<u>–</u>	<u>–</u>	<u>–</u>	<u>(4,668,860)</u>	<u>(4,668,860)</u>
At 31 March 2007	<u>80,042,233</u>	<u>76,470,297</u>	<u>176,000</u>	<u>14,475,130</u>	<u>171,163,660</u>

(c) The contributed surplus of the Company, which arose as a result of a group reorganisation in 1991 and the transfer from share premium account pursuant to the special resolutions passed on 27 March 2002, is distributable to equity holders under the Companies Act 1981 of Bermuda (as amended). However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if there are reasonable grounds for believing that:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to equity holders were as follows:

	2007 HK\$	2006 HK\$
Contributed surplus	80,042,233	80,042,233
Retained profits	<u>14,475,130</u>	<u>22,739,150</u>
	<u>94,517,363</u>	<u>102,781,383</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

20 BANK BORROWINGS SECURED

	Group	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Non-current		
Bank borrowings (<i>Note (a)</i>)	50,190,764	32,811,719
Current		
Bank borrowings	<u>38,817,407</u>	<u>38,367,264</u>
	<u><u>89,008,171</u></u>	<u><u>71,178,983</u></u>

- (a) The bank borrowings will mature on 22 December 2008 and 29 May 2009.

The bank borrowings are secured by fixed deposits placed in the banks. The carrying amounts of the bank borrowings approximate their fair value. The carrying amounts of the borrowings are denominated in Japanese Yen.

The effective interest rates at the balance sheet date were as follows:

	2007	2006
Non-current		
Bank borrowing	<u>1.38%</u>	<u>1.05%</u>
Current		
Bank borrowings	<u>1.08%</u>	<u>0.63%</u>

21 TRADE AND OTHER PAYABLES

	Group	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Amount due to the ultimate holding company (<i>Note (a)</i>)	–	253,045
Trade payables (<i>Note (b)</i>)	7,453,100	3,627,065
Other payables	<u>1,553,620</u>	<u>1,315,772</u>
	<u><u>9,006,720</u></u>	<u><u>5,195,882</u></u>

- (a) The amount due to the ultimate holding company is unsecured, interest-free and repayable on demand.
- (b) The aging of trade payables is within 6 months.
- (c) The carrying amounts of trade and other payables approximate their fair values and they are denominated in Hong Kong dollars.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

22 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2007 <i>HK\$</i>	2006 <i>HK\$</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Deferred tax assets:				
– Deferred tax asset to be recovered after more than 12 months	(2,432,126)	(3,457,212)	–	–
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after more than 12 months	3,462,998	3,457,212	–	–
	<u>1,030,872</u>	<u>–</u>	<u>–</u>	<u>–</u>

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	2007 <i>HK\$</i>	2006 <i>HK\$</i>	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Beginning of the year	–	–	–	–
Charged to income statement (<i>Note 27</i>)	1,030,872	–	–	–
End of the year	<u>1,030,872</u>	<u>–</u>	<u>–</u>	<u>–</u>

The movement in deferred tax assets and liabilities during the year, without taking consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities:

	Group		Company	
	Accelerated tax depreciation <i>HK\$</i>	Other <i>HK\$</i>	Total <i>HK\$</i>	Total <i>HK\$</i>
At 1 April 2006	–	–	–	–
Charged to the income statement	3,462,998	–	3,462,998	–
At 31 March 2007	<u>3,462,998</u>	<u>–</u>	<u>3,462,998</u>	<u>–</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

22 DEFERRED INCOME TAX (Continued)

Deferred tax assets:

	Accelerated tax depreciation	Group Tax losses	Total	Company Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
At 1 April 2006				
Credited to the income statement	(135,751)	(2,296,375)	(2,432,126)	–
At 31 March 2007	<u>(135,751)</u>	<u>(2,296,375)</u>	<u>(2,432,126)</u>	<u>–</u>

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK\$29,870,207 (2006: HK\$ 31,796,753) in respect of losses amounting to HK\$170,686,895 (2006: HK\$181,695,730) that can be carried forward against future taxable income.

23 OTHER INCOME

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Interest income	8,274,161	7,061,758
Rental income from investment property	1,804,200	1,747,774
Dividend income from listed available-for-sale financial assets	4,210,535	2,038,813
Others	38,102	–
	<u>14,326,998</u>	<u>10,848,345</u>

24 OTHER GAINS – NET

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
		(As restated)
Exchange gains, net	678,675	2,619,599
Unrealised exchange loss on available-for-sale financial assets (<i>Note 1</i>)	–	–
Gain on disposal of listed available-for-sale financial assets	–	23,443,704
Gain on disposal of a subsidiary	100	–
Loss on deregistration of a subsidiary	(3,010)	(3,370)
Loss on disposal of property, plant and equipment	–	(565,979)
Impairment loss on available-for-sale financial assets	–	(4,052,819)
Fair value gain on revaluation of investment property	–	580,000
Others	252,945	584,043
	<u>928,710</u>	<u>22,605,178</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

24 OTHER GAINS – NET (Continued)

Note 1:

Certain foreign currency denominated available-for-sale financial assets of the Group were classified as monetary securities in prior years, for which, the translation differences were recognised in the income statement in accordance with the Group's accounting policies.

In current year, the Group has reassessed the foreign currency denominated available-for-sale financial assets with reference to HKAS 39 "Financial Instruments: Recognition and Measurement" and considered the available-for-sale financial assets should be accounted for as equity securities (i.e. non-monetary financial assets). Accordingly, the unrealised translation differences should be taken to the investment revaluation reserve in equity.

The financial statements of the year ended 31 March 2006 have been restated to reflect this reassessment in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The effect of the restatement on those financial statements is summarised below:

	<i>HK\$</i>
Increase in other gains-net, for the year ended 31 March 2006	11,851,569
Decrease in investment revaluation reserve	12,951,669
Increase in retained earnings, as at 1 April 2005	1,100,100
Increase in retained earnings, as at 31 March 2006	12,951,669

25 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution cost and general and administrative expenses are analysed as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Cost of sales	60,802,709	31,265,511
Auditors' remuneration	453,721	490,210
Amortisation of land use rights	929,304	168,667
Depreciation of property, plant and equipment	803,726	1,698,785
Employee benefit expenses (<i>Note 31</i>)	12,848,727	12,285,847
Other expenses	<u>3,597,841</u>	<u>3,248,206</u>
Total cost of sales, selling and distribution cost and general and administrative expenses	<u><u>79,436,028</u></u>	<u><u>49,157,226</u></u>

26 FINANCE COSTS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank borrowings	<u><u>953,551</u></u>	<u><u>343,140</u></u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

27 TAX EXPENSE

Hong Kong profits tax has not been provided as the Group has no estimated assessable profit for the year (2006: Nil).

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Current income tax	–	–
Deferred income tax (<i>Note 22</i>)	<u>1,030,872</u>	<u>–</u>
	<u><u>1,030,872</u></u>	<u><u>–</u></u>

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
		<i>(As restated)</i>
		<i>(Note 24, 37)</i>
Profit before income tax	<u>8,650,313</u>	<u>24,981,671</u>
Calculated at a taxation rate of 17.5% (2006: 17.5%)	1,513,805	4,371,792
Income not subject to tax	(2,553,202)	(6,726,249)
Expenses not deductible for taxation purposes	553,206	1,464,453
Tax losses for which no deferred income tax asset was recognised	486,191	890,004
Recognition of temporary differences	<u>1,030,872</u>	<u>–</u>
	<u><u>1,030,872</u></u>	<u><u>–</u></u>

28 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK\$15,080,280 (2006: HK\$11,986,098).

29 DIVIDENDS

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Interim, paid of HK¢1 (2006: HK¢2) per ordinary share	4,668,860	9,337,720
2006 Final, paid of HK¢4 per ordinary share	<u>–</u>	<u>18,675,440</u>
	<u><u>4,668,860</u></u>	<u><u>28,013,160</u></u>

At a meeting held on 4 July 2007, the directors did not propose any final dividend.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

30 EARNINGS PER SHARE

Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options, for which, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding share options. The share options have anti-dilutive effect. No option has been exercised during the year.

	2007	2006 (As restated) <i>(Note 24)</i>
Profit attributable to equity holders of the Company	<u>HK\$7,619,441</u>	<u>HK\$24,981,671</u>
Weighted average number of ordinary shares in issue	<u>466,886,000</u>	<u>466,886,000</u>
Basic and diluted earnings per share (HK¢ per share)	<u>1.63</u>	<u>5.35</u>

31 EMPLOYEE BENEFIT EXPENSES

	2007 <i>HK\$</i>	2006 <i>HK\$</i>
Wages, salaries and other benefits	12,461,231	11,830,261
Retirement benefit costs		
– defined contribution schemes <i>(Note a)</i>	546,098	622,406
– refund of forfeited contributions	<u>(158,602)</u>	<u>(166,820)</u>
	<u><u>12,848,727</u></u>	<u><u>12,285,847</u></u>

(a) Retirement benefit costs – defined contribution plan

Forfeited contributions totaling HK\$26,124 (2006: HK\$5,733) were available at the year-end to reduce future contributions.

Contributions totaling HK\$67,391 (2006: HK\$67,628) were payable to the funds at the balance sheet date.

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

31 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' and senior executives' emoluments

The remuneration of every Director for the year ended 31 March 2007 is set out below:

Name of Director	Fees <i>HK\$</i>	Salary <i>HK\$</i>	Employer's contribution to provident fund <i>HK\$</i>	Other benefits <i>HK\$</i>	Total <i>HK\$</i>
<i>Chairman and non-executive directors</i>					
Mr. Tse Chi Hung, Michael	30,000	384,000	–	–	414,000
Mr. George Ho	30,000	–	–	–	30,000
Mr. Leung Kwok Kit	30,000	–	–	–	30,000
Mr. David Miao (<i>note 1</i>)	–	–	–	–	–
Mr. Fu Hau Chak, Adrian [#]	30,000	–	–	–	30,000
Mr. Li Kwok Sing, Aubrey [#]	30,000	–	–	–	30,000
Mr. Kwok Chi Hang, Lester, JP [#]	30,000	–	–	–	30,000
	<u>180,000</u>	<u>384,000</u>	<u>–</u>	<u>–</u>	<u>564,000</u>
<i>Executive directors</i>					
Ms. Patricia Yeung Shuk Kwan	10,000	1,200,000	120,000	–	1,330,000
Mr. George Joseph Ho	10,000	360,000	36,000	–	406,000
Mr. Joey Fan	10,000	325,200	16,260	75,000	426,460
	<u>30,000</u>	<u>1,885,200</u>	<u>172,260</u>	<u>75,000</u>	<u>2,162,460</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

31 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Directors' and senior executives' emoluments (Continued)

The remuneration of every Director for the year ended 31 March 2006 is set out below:

Name of Director	Fees HK\$	Salary HK\$	Employer's contribution to provident fund HK\$	Other benefits HK\$	Total HK\$
<i>Chairman and non-executive directors</i>					
Mr. Tse Chi Hung, Michael	30,000	384,000	–	–	414,000
Mr. George Ho	30,000	–	–	–	30,000
Mr. Leung Kwok Kit	30,000	–	–	–	30,000
Mr. David Miao (note 1)	30,000	–	–	–	30,000
Mr. Fu Hau Chak, Adrian [#]	30,000	–	–	–	30,000
Mr. Li Kwok Sing, Aubrey [#]	30,000	–	–	–	30,000
Mr. Kwok Chi Hang, Lester, JP [#]	30,000	–	–	–	30,000
	<u>210,000</u>	<u>384,000</u>	<u>–</u>	<u>–</u>	<u>594,000</u>
<i>Executive directors</i>					
Ms. Patricia Yeung Shuk Kwan	10,000	1,200,000	120,000	–	1,330,000
Mr. George Joseph Ho	10,000	360,000	36,000	–	406,000
Mr. Joey Fan	10,000	285,000	15,000	100,000	410,000
	<u>30,000</u>	<u>1,845,000</u>	<u>171,000</u>	<u>100,000</u>	<u>2,146,000</u>

Notes:

(1) Deceased on 26 November 2006.

Independent non-executive director

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2006: one) director whose emoluments are reflected in the analysis in Note 31 (b) above. The emoluments payable to the remaining four (2006: four) individuals during the year are as follows:

	2007 HK\$	2006 HK\$
Basic salaries, housing allowances, other allowances and benefits in kind	2,712,915	2,498,707
Contributions to retirement schemes	71,126	66,713
	<u>2,784,041</u>	<u>2,565,420</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

31 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) **Five highest paid individuals (Continued)**

The emoluments fell within the following band:

Emolument band	Number of individuals	
	2007	2006
HK\$0 – HK\$1,000,000	<u>4</u>	<u>4</u>

32 CASH USED IN OPERATIONS

(a) Reconciliation of profit for the year before taxation to net cash used in operations:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
		(As restated)
		(Note 24)
Profit for the year before taxation	8,650,313	24,981,671
Adjustment for:		
Depreciation	803,726	1,698,785
Amortisation of land use rights	929,304	168,667
Dividend income from listed available-for-sale financial assets	(4,210,535)	(2,038,813)
Interest expenses	953,552	343,140
Interest income	(8,274,161)	(7,061,758)
Loss on disposal of property, plant and equipment	–	565,979
Gain on disposal of a subsidiary	(100)	–
Loss on deregistration of subsidiaries	3,010	3,370
Fair value gain on revaluation of investment property	–	(580,000)
Impairment loss on available-for-sale financial assets	–	4,052,819
Gain on disposal of listed available-for-sale financial assets	–	(23,443,704)
	<hr/>	<hr/>
Changes in working capital	(1,144,891)	(1,309,844)
Amount due to ultimate holding company	(253,045)	–
Trade receivables	(8,819,587)	(3,190,134)
Other receivables, deposits and prepayments	577,522	84,361
Advance subscriptions and licence fees received	505,793	27,328
Customer deposits	(33,854)	(602,516)
Trade and other payables	3,822,962	2,402,406
Exchange gains	(678,675)	(7,599,209)
	<hr/>	<hr/>
Cash used in operations	<u>(6,023,775)</u>	<u>(10,187,608)</u>

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

32 CASH USED IN OPERATIONS (Continued)

(b) Deregistration of subsidiaries

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Net assets disposed of:		
Other receivables, deposits and prepayments	100	75,776
Cash and bank balances	135	–
	235	75,776
Reserve realised	(3,245)	(79,146)
Loss on deregistration	3,010	3,370
	–	–

Analysis of net cash used in respect of deregistration of subsidiaries:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Net cash used in respect of deregistration of a subsidiary	(3,010)	(3,370)

(c) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Net book amount (<i>Note 7</i>)	–	1,052,979
Loss on sale of property, plant and equipment	–	(565,979)
Proceeds from sale of property, plant and equipment (<i>note i</i>)	–	487,000

- (i) Sales proceeds amounting to HK\$436,500 remain as “Other receivables, deposits and prepayments” as at 31 March 2006. Therefore, the actual cash receipt for the year ended 31 March 2006 was HK\$50,500.

(d) Non-cash items

Exchange translation difference for bank loans amounted HK\$348,827 (2006: HK\$3,809,077).

33 CAPITAL COMMITMENTS

	Group	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Contracted but not provided for in respect of investment in available-for-sale financial assets	1,772,546	3,868,500

APPENDIX I FINANCIAL INFORMATION RELATING TO THE COMPANY

34 OPERATING LEASES

As at 31 March 2007 the Group had future aggregate minimum lease receivables under the non-cancellable operating leases in respect of the investment property as follows:

	Group	
	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Not later than one year	580,000	1,560,000
Later than one year and not later than five years	—	350,000
	<u>580,000</u>	<u>1,910,000</u>

35 RELATED-PARTY TRANSACTIONS**Key Management compensation**

	2007	2006
	<i>HK\$</i>	<i>HK\$</i>
Salaries and other short-term benefits	4,416,760	4,481,113
Termination benefits	—	—
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
	<u>4,416,760</u>	<u>4,481,113</u>

36 EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the fiscal year, the Board received a privatization proposal from its substantial shareholder, under which, a conditional general cash offer of HK\$0.58 per share was made to acquire all outstanding shares of the Company. The Offer Document setting out the terms of the Offer was despatched to Shareholders on 11 June 2007. The Board's Circular Letter incorporating the recommendation of the Independent Board Committee and the letter of the Independent Financial Advisor is expected to be despatched before 18 July 2007.

37 COMPARATIVES

Certain comparative figures have been reclassified to conform with the current year's presentation.

3 INDEBTEDNESS STATEMENT

At the close of business on 30 April 2007 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding bank borrowings of JPY1,340,484,496 (translated at 0.0654, equivalent to approximately HK\$87,667,686). The bank borrowings are secured by fixed deposits of US\$12,931,499 (translated at 7.798, equivalent to approximately HK\$100,839,829). The Group had capital commitment in respect of investment in available-for-sale financial assets of US\$227,512 (translated at 7.798, equivalent to approximately HK\$1,774,139).

Save as aforesaid and apart from normal trade payable in the ordinary course of business, at the close of business on 30 April 2007, the Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges, or loans or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

4 MATERIAL CHANGE

The Board is not aware of any material changes in the financial or trading position or outlook of the Group subsequent to 31 March 2007, being the date to which the latest audited consolidated financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

The information in this Document (other than that relating to the Offeror and the terms of the Offers) has been supplied by the Directors. The issue of this Document has been approved by the Directors who jointly and severally accept full responsibility for the accuracy of the information (other than that relating to the Offeror and the terms of the Offers) contained in this Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Document (other than that relating to the Offeror and the terms of the Offers) have been arrived at after due and careful consideration and there are no other facts not contained in this Document the omission of which would make any statement in this Document (other than that relating to the Offeror and the terms of the Offers) misleading.

The information contained in this Document relating to the Offeror and the terms of the Offers has been compiled from the Offer Document. The Directors jointly and severally take full responsibility for the correctness and fairness of the reproduction or presentation of such information.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorized and issued share capital of the Company were as follows:

Authorized:		HK\$
600,000,000	ordinary shares of HK\$0.10 each	60,000,000
Issued and fully paid:		
466,886,000	ordinary shares of HK\$0.10 each	46,688,600

All Shares rank pari passu in all respects as to dividends, voting rights and capital. The Company has not issued any Shares since 31 March 2007 (being the date to which the latest published audited accounts of the Group were prepared).

As at the Latest Practicable Date, save for the 2,500,000 outstanding Options, there were no outstanding Options, convertibles, warrants, derivatives, securities convertible to Shares and rights to subscribe for Shares.

3. DISCLOSURE OF INTERESTS AND DEALINGS

- (a) Mr. George Ho, Mr. George Joseph Ho, Mr. Michael Tse Chi Hung and Mr. Leung Kwok Kit are common directors of the Offeror and the Company and are presumed to be parties acting in concert with the Offeror under the Takeovers Code. As at the Latest Practicable Date, they had the following interests in the Shares:

Directors	Number of Shares	%
Mr. George Ho	7,530,000	1.61
Mr. George Joseph Ho	3,500,000	0.75
Mr. Michael Tse Chi Hung (<i>note 1</i>)	9,234,006	1.98
Mr. Leung Kwok Kit (<i>note 2</i>)	1,206,600	0.26

Notes:

- Mr. Michael Tse Chi Hung is deemed to be interested in 9,234,006 Shares. These Shares are owned as to: (a) 9,204,006 Shares by him personally; and (b) 30,000 Shares by his son, Mr. Christopher Tse Wing Kit.
 - Mr. Leung Kwok Kit is deemed to be interested in 1,206,600 Shares. These Shares are owned as to: (a) 906,600 Shares by him personally; (b) 100,000 Shares by his daughter, Ms. Joyce Leung; and (c) 200,000 Shares by his daughter, Ms. Jacqueline Leung.
- (b) As at the Latest Practicable Date, Mr George Joseph Ho, common directors of the Offeror and the Company, and Ms. Patricia Yeung, a Director, respectively hold 500,000 and 2,000,000 Options.
- (c) As at the Latest Practicable Date, other Directors had the following interests in the Shares:

Directors	Number of Shares	%
Ms. Patricia Yeung Shuk Kwan	6,450,400	1.38
Mr. Aubrey Li Kwok Sing	186,000	0.04

- (d) Save as disclosed in paragraphs 3(a), (b) and (c) above in this Appendix II, the Directors had no other interests in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares of the Company as at the Latest Practicable Date.

- (e) During the Disclosure Period, the Directors had the following dealings in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares of the Company:

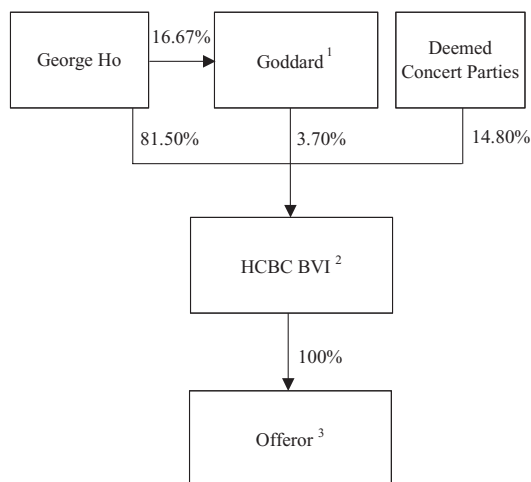
Name	Date	Number of Shares sold	Average price per Share
Mr. Joey Fan	31 October 2006	40,000	HK\$0.47
	15 December 2006	13,000,000	HK\$0.35

- (f) Save as disclosed in paragraph 3(e) above in this Appendix II, the Directors had no other dealings in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares of the Company during the Disclosure Period.
- (g) None of the Directors had any short position in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares of the Company as at the Latest Practicable Date.
- (h) Mr. Michael Tse Chi Hung, Mr. Leung Kwok Kit, Ms. Patricia Yeung Shuk Kwan and Mr. Aubrey Li Kwok Sing, the Directors, have irrevocably undertaken to the Offeror to accept the Offers. Save as disclosed in this paragraph, according to the Offeror, as at the Latest Practicable Date, the Offeror and the Excluded Shareholders have not received any irrevocable commitment from any other person to accept the Offers.
- (i) As at the Latest Practicable Date, none of OSK Asia Capital nor any of its group companies owned or controlled any Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company or had dealt for value in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company during the Disclosure Period.
- (j) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company, or any advisers to the Company as specified in class (2) of the definition of “associate” in the Takeovers Code owned or controlled any Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company or had dealt for value in any Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company during the Disclosure Period.
- (k) As at the Latest Practicable Date, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) or (4) of the definition of “associate” under the Takeovers Code, and any other person.
- (l) As at the Latest Practicable Date, no interest in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company was managed on a discretionary basis by fund managers connected with the Company. No fund managers connected with the Company had dealt for value in the Shares, warrants, Options, derivatives, convertibles and securities convertible to Shares in the Company during the Disclosure Period.

- (m) No benefit is or will be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (n) No agreement or arrangement exists between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (o) No material contract has been entered into by the Offeror in which any Director has a material personal interest.
- (p) As at the Latest Practicable Date, the Company did not own or control any shares, warrants, options, derivatives, convertibles and securities convertible to shares in the Offeror, and had not dealt for value in the shares, warrants, options, derivatives, convertibles and securities convertible to shares in the Offeror during the Disclosure Period.
- (q) Save as disclosed in paragraph 4 in this Appendix II, as at the Latest Practicable Date, none of the Directors owned or controlled any shares, warrants, options, derivatives, convertibles and securities convertible to shares in the Offeror, nor had any of them dealt for value in the shares, warrants, options, derivatives, convertibles and securities convertible to shares in the Offeror during the Disclosure Period.

4. SHAREHOLDING IN THE OFFEROR

As at the Latest Practicable Date, the shareholding structure of the Offeror is as follows:



Notes:

1. Mr. George Ho was beneficially interested in 16.67% of the issued share capital of Goddard as at the Latest Practicable Date. The Jessie and George Ho Charitable Foundation, an exempted charitable body under Section 88 of the Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong) founded by Mr. George Ho, was beneficially interested in 15.74% of the issued share capital of Goddard as at the Latest Practicable Date.
2.
 - (a) The issued share capital of HCBC BVI comprises 135,000 management shares and 3,765,000 ordinary shares. Each management share and each ordinary share rank pari passu with each other in regard to dividend and return of capital, but the ordinary shares do not carry any voting rights.
 - (b) Mr. George Ho was the ultimate beneficial owner of 110,000 management shares and 795,600 ordinary shares of HCBC BVI as at the Latest Practicable Date. Goddard held 5,000 management shares and 933,250 ordinary shares of HCBC BVI as at the Latest Practicable Date.
 - (c) The remaining 20,000 management shares of HCBC BVI were owned by (i) Mr. Richard Tang Yat Sun, who is also a director of the Offeror; (ii) Jardine Matheson & Company, Ltd.; (iii) the executors of the estate of late Mr. Shum Wai Yau; and (iv) Millenium Skyline Ltd., with each of them holding 5,000 management shares of HCBC BVI as at the Latest Practicable Date. Millenium Skyline Ltd. is owned by a trust whose beneficiary is Mrs. Isabella Yu. Mrs. Isabella Yu is a sister of Ms. Amy Miao Mei Yan, a director of the Offeror. These holders of management shares of HCBC BVI are presumed to be acting in concert with the Offeror under the Takeovers Code. None of them holds any shares in the Company.
3. The issued share capital of the Offeror comprises 10 management shares and 78,000 non-voting deferred shares. The non-voting deferred shares effectively carry no rights as to dividend, return of capital and voting. HCBC BVI held all the 10 issued management shares of the Offeror as at the Latest Practicable Date. Therefore, the Offeror is regarded as a wholly-owned subsidiary of HCBC BVI.
4. The shareholdings as shown in the diagram above reflects the percentage control of voting rights, and are calculated by reference only to the holdings of the management shares of HCBC BVI and the management shares of the Offeror, respectively.

5. MATERIAL CONTRACTS

Neither the Company nor any of its subsidiaries entered into any contracts within two years before the date of the Announcement which are or may be material other than in the ordinary course of the business carried on or intended to be carried on by the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has a service contract in force with the Company or any of its subsidiaries or associated companies which has been entered into or amended within six months before the date of the Announcement or which are continuous contracts with a notice period of 12 months or more or which are fixed term contracts with more than 12 months to run irrespective of the notice period.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries were engaged in any outstanding litigation of material importance and no litigation of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

8. QUALIFICATION AND CONSENTS

OSK Asia Capital, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, has given and has not withdrawn its written consent to the issue of this Document with the inclusion therein of its advice and recommendation to the Independent Board Committee and the reference to its name, in the form and context in which it appears.

9. MISCELLANEOUS

- (a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, with its address at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The registered office of OSK Asia Capital is situated at 11/F., Hip Shing Hong Centre, 55 Des Vieux Road Central, Hong Kong.
- (d) The secretary of the Company is Ms. Patricia Yeung Shuk Kwan. She has been an executive director of the Group since March 1990 following 13 years' association with ABC Communications Limited as a non-executive director. She is currently Managing Director of the Group and Company Secretary of the Company. She holds a Bachelor of Arts degree from the University of Hong Kong and is also a Chartered Secretary.
- (e) The qualified accountant of the Company is Ms. Ho Sze Ngar. She is the Finance and Administration Manager of the Group. She graduated from Hong Kong University of Science & Technology with a bachelor's degree (Honours) in Business Administration-Accounting. An associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants, Ms. Ho has over 10 years' experience in audit and finance. She joined the Group in April 2005 and is responsible for overseeing the accounting, finance and corporate functions of the Group.
- (f) The English text of this Offer Document and the forms of proxy shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood & Lo, 35th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. on any weekday (Saturdays, Sundays and public holidays excepted) and on the web site of the Company at <http://www.hkabc.com> and on the web site of the Securities and Futures Commission at <http://www.sfc.hk> for so long as the Offers remain open for acceptance:

- (a) the memorandum of association and bye-laws of the Company;
- (b) memorandum and articles of association of the Offeror;
- (c) the audited consolidated accounts of the Company for the two years ended 31 March 2007;
- (d) the letter from the Board, the text of which is set out on pages 5 to 10 of this Document;
- (e) the letter from the Independent Board Committee, the text of which is set out on pages 11 to 12 of this Document;
- (f) the letter from OSK Asia Capital to the Independent Board Committee, the text of which is set out on pages 13 to 42 of this Document;
- (g) the letter of consent from OSK Asia Capital referred to in paragraph 8 of this Appendix.