



## Chairman's Statement

This has been an eventful year for the Company. We have completed a major disposal of all our property investment and development in Hong Kong and the PRC and a major acquisition of a 70% interest in Shenzhen DIC Information Technologies Company Limited ("Dico") in October 2001. We have positioned ourselves in the two of the most exciting markets in the PRC, transport logistic infrastructure development and Digital Video Broadcasting (DVB) for the cable television and telecommunication industry.

It was no doubt a challenging year as well given the turmoil in the economy. The collapse of the market coupled with the events of September 11th terrorists attack caused declining business confidence and contracting corporate investments. Against a backdrop of the general economy slow down, we saw a rapid consolidation of companies worldwide and an elimination of players who failed to develop a sustainable business model. Despite these challenges we have expanded our network based transport logistic infrastructure program under Transonline from 36 cities in year 2000 to over 140 cities now, which span across 30 provinces in the PRC with 200 network based distribution outlets. We have completed the call centre software which is currently being installed for our alliance members. Our test membership in two small cities has been running smoothly. However, we do have a set back under Dico in the final quarter of 2001 as our Condition Access ("CA") has not been selected by SABFT (the State Administration of Broadcasting, Film and Television) as first part of the DVB standard, we thereby feel prudent to make a substantial write off of HK\$382,331,000 in goodwill. However, we have completed a DVB-S set-top-box for overseas markets and a DVB system for the education industry, while we await for the SABFT to set the remaining required standards for the DVB-C Industry. We feel in time, with minimal modification to our existing solutions, we will meet with the required DVB standards to be set by SABFT this year.

During this difficult period, we responded rapidly to the market conditions by implementing a series of cost control measures which included restructuring two of our major subsidiaries by merging its administrative, research and development departments in order to ensure a lean overhead and cost effective operating structure.

One of our major objectives for the year 2002 under Transonline is to expand our network based transport logistic infrastructure operation from 140 cities to over 230 cities across the PRC, at the same time to increase our network based distribution outlets to over 400 in order to serve our members under our full membership roll out program in May of this year. Also our value added services are under preparation for full roll out towards third quarter of this year. Our ability to operate cost effectively while building our network infrastructure will be crucial in building a long-term business. Even with our set back with Dico, we feel confident that we are prepared and well positioned to fully capitalise on opportunities when the DVB standard is set and market conditions improve.

Even with our current financial position, but now with a fully committed team, I am confident that we can achieve our goal and become the number one transport logistic infrastructure developer in the PRC. I have thereby underwritten the proposed Open Offer to show my full commitment and pledge a further HK\$20 million to demonstrate my full financial support for the Company.

I would like to thank the board of directors, shareholders, customers, and our strategic partners for their continued support and our employees for contributing their energy and skills during the year. We are operating as a company with an unparalleled committed team and I look forward to a productive year 2002.

**Chan Chak Shing**  
*Chairman*

Hong Kong, 19th April 2002