



Financial Review

During the year under review, the Group had disposed of all of its property investment and development and gas installation operations and acquired a 70% interest in Shenzhen DIC Information Technology Company Limited (“Dico”). This major restructuring exercise had duly been completed in October 2001. The Group recorded a turnover of approximately HK\$240,376,000 for the year ended 31st December 2001. Of the total turnover amount, HK\$237,359,000 was generated from its property and gas related operations for the ten months ended 31st October 2001, HK\$2,795,000 was generated from Dico for the two months of November and December 2001 and HK\$222,000 was generated from Transonline for the year ended 31st December 2001. The loss attributable to shareholders for the year ended 31st December 2001 was HK\$479,400,000, after the provision for impairment loss of HK\$382,331,000 on goodwill.

Under this difficult operating environment, the Group had exercised prudent measures on cost control policies and decreased its operating expenditure. Of the Group's total operating expenditure, staff costs continued to represent the largest component. Total number of staff was 111 as at 31st October 2001. Through reorganisation and the merging of two of our major operation in the PRC in order to consolidate the day-to-day management, the current head count is 97. The Directors believe that the quality of its employees is the most important factor in sustaining the Group's growth and improving its cost effectiveness. Employees are now remunerated according to their performance and work experience. In addition to basic salaries and retirement scheme, staff benefits include medical scheme, share options and performance bonus.

The Group continued to invest in research and development (“R&D”) during the year, positioning the Group to capture its market share in DVB-C and transport logistic services in order to enhance its existing products such as DVB-S set-top-box for the overseas markets and refine its existing DVB-C system under Dico and call centre software for its alliance member under Transonline.

A provision of approximately HK\$21,497,000 was made for long outstanding trade receivables and HK\$11,152,000 was made for slow moving stocks. Management was uncertain whether the amount would ultimately be collected due to the sluggish economy and considered that it was prudent to make such a provision.

Due to the major disposal of its property investment and development arm, the Group had borrowings outstanding of only approximately HK\$21,363,000 (excluding amounts due to related companies of HK\$47,526,000), a total reduction of HK\$788,050,000. Correspondingly, there is also a reduction of net assets of HK\$469,526,000. The Group has a net assets of only HK\$14,503,000 as at 31st December 2001 due to the change in nature and substance of the business.

Operating Review

During the year under review, the Group had restructured itself into a major player in network based transport logistic infrastructure developer and fully integrated broadband and cable TV related platform and equipments provider for cable TV and telecommunications service operators.



Tranonline

During the year under review, we have expanded our network based transport logistic infrastructure from 36 cities to 140 cities with over 200 network based distribution outlets for providing basic services such as cargo matching, vehicle maintenance, insurance, lodging etc. This paves the way for our full membership roll out program in the second quarter of the year 2002. The Group has also completed a call centre software for our alliance members, thus increases the information flow on our nationwide freight exchange platform. The turnover of the year of HK\$222,000 represented only the results from two small cities which underwent testing during second half of the year.

Dico

During the period under review, the entire PRC market for DVB-C solution providers were stagnant. Reasoning being the market was waiting for SABFT (the State Administration of Broadcasting, Film and Television) to set the Condition Access ("CA") standard for DVB-C. Our CA have not been selected by SABFT as first part of the DVB-C standard for PRC. Due to this set back, the management felt it will be prudent to write down the goodwill by HK\$382,331,000. Due to the uncertainty of the market, Dico only achieved a turnover of HK\$2,795,000. However, Dico had completed its DVB-S set-top-box for the overseas market and this will be its major drive for export in the year 2002. In addition, Dico had successfully installed a DVB educational system for Guangzhou University of Foreign Studies, a new design based upon the current education industry's requirement.

Capital Adequacy

As at 31st December 2001, the Group had net tangible deficit of HK\$47,752,000 and a net current liability of HK\$55,609,000 (inclusive of amounts due to related companies of HK\$47,526,000). In order to ensure that the Group will have sufficient financial resources to sustain and further develop its current operations, the Company plans to raise a minimum of about HK\$50 million (before expenses) through an open offer of shares to its existing shareholders, which will be underwritten by Mr. Chan Chak Shing, Chairman of the Company. Of the total proceeds, approximately HK\$15 million will be used to fund the current operations, while the remaining HK\$35 million will be applied towards the repayment of amounts due to related companies. For details of this open offer, please refer to a separate announcement which will be published shortly. Subsequent to the open offer, the net tangible asset and net current liability of the Group would be substantially reduced.

The Directors recognise that in view of the uncertainty in the market in the immediate future, even taking account of the open offer as set out above, the continuation of the Group's business will depend on the financial support of its directors and major shareholders. In this connection, Mr. Chan Chak Shing has confirmed that he will provide the necessary funding to the Group within twelve months from the date of this announcement, up to a maximum of HK\$20 million.



Employee

As at 31st December, 2001, the Group had 97 employees majority of which were based in the PRC. The subsidiaries of the Group in the PRC participate in the defined contribution pension schemes operated by the relevant local government authorities in the PRC. Following the adoption of the Mandatory Provident Fund (“MPF”) Scheme in December 2000, the Group’s directors and employees in Hong Kong join the MPF Scheme.

Contingent Liabilities

As at 31st December 2001, a subsidiary of the Company provided a corporate guarantee in respect of banking facilities granted by banks to 深圳市迪科網絡有限公司 (Shenzhen Dico Net Company Limited) (“Dico Net”), a related company, to the extent of HK\$18,857,000, in return for the provision of corporate guarantees by Dico Net for bank loans granted to the same subsidiary of the Company to the extent of HK\$12,257,000.