



Report of the Directors

The directors would like to present their report together with the audited accounts for the year ended 31st December 2001.

Principal activities and analysis of operations

The Company is an investment holding company. Its subsidiaries were previously engaged in property development, investment and management in the PRC and Hong Kong, the operation of Transonline and the provision of gas installation services in the PRC. In October 2001, the Group disposed of its property and gas related operations and acquired a 70% interest in Dico which is established in PRC. Commencing in November 2001, the principal activities of the Group comprise the operation of Transonline and the provision of fully-integrated broadband and cable television related platform and equipment for cable television and telecommunication services operators.

An analysis of the Group's performance for the year by business segments is set out in note 2 to the accounts.

Results and appropriations

The results of the Group for the year are set out in the consolidated profit and loss account on page 20 of the annual report.

The directors do not recommend the payment of a dividend for the year ended 31st December 2001 (2000: Nil).

Reserves

Particulars of the movements in reserves of the Group and the Company during the year are set out in note 21 to the accounts.

Fixed assets

Particulars of the movements in fixed assets of the Group and the Company during the year are set out in note 12 to the accounts.

Share capital

Particulars of the movements in share capital of the Company are set out in note 20 to the accounts.

Short-term and long-term borrowings

Particulars of the short-term loans and long-term liabilities of the Group are set out in notes 19 and 22 to the accounts, respectively.



Borrowing costs

The amount of interest capitalised by the Group during the year is set out in note 4 to the accounts.

Financial summary

A summary of the results of the Group for the last five financial years and assets and liabilities of the Group as at the end of the last five financial years is set out on page 55 of the annual report.

Directors

The directors during the year were:

Executive directors

Mr Chan Chak Shing

Mr Chan Hon Ching

Ms Lo Mei Chun

Mr Li Hok Wing (also known as Li Xue Rong) (resigned on 29th October 2001)

Mr Pau Kwok Ping (also known as Bao Guo Ping) (resigned on 29th October 2001)

Non-executive directors

Mr Shi Dan Wei (appointed on 24th October 2001)

Mr Wang Yi (appointed on 24th October 2001)

Ms Chiu King Cheung

Independent non-executive directors

Mr Wong Po Yan

Mr Chan Kay Cheung

In accordance with Articles 98 and 116 of the Company's Articles of Association, Mr Wang Yi, Mr Shi Dan Wei, Ms Lo Mei Chun and Mr Wong Po Yan will retire at the forthcoming annual general meeting of the Company. All the retiring directors, being eligible, offer themselves for re-election.

Directors' service contracts

Each of Mr Chan Chak Shing, Mr Chan Hon Ching, Mr Pau Kwok Ping, Mr Li Hok Wing and Ms Chiu King Cheung entered into a service contract with the Company in relation to their respective appointments as directors of the Company. Each service contract is for an initial term of three years commencing on 5th July 1997 and will continue thereafter unless and until terminated by either party by not less than three months' prior written notice. The service contracts with Mr Pau Kwok Ping and Mr Li Hok Wing were terminated upon their resignation as directors on 29th October 2001 .



Save as disclosed above, none of the directors has or is proposed to have a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Biographical details of directors

Brief biographical details of the directors of the Company are set out on pages 11 and 12 of the annual report.

Directors' interest in contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which any director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

Connected transaction

Details of the connected transaction entered into by the Group during the year are set out below:

The Group paid interest of HK\$2,781,000 (2000: HK\$3,945,000) to Winsan International Holdings Limited ("WIHL"), a company which holds 35.5% interest in the Company and is beneficially owned by Mr Chan Chak Shing, a Chairman of the Company. Such interest was calculated at Hong Kong prime rate.

The above connected transaction is disclosed in accordance with the requirements under the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules"). In the opinion of the independent non-executive directors of the Company, the above transaction was carried out on normal commercial terms and in the ordinary course of business of the Group.

Directors' interests in equity and debt securities

As at 31st December 2001, the interests of the directors in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance"), recorded in the register required to be kept under section 29 of the SDI Ordinance are as follows:

- (a) Interests in shares of the Company of HK\$0.10 each

Name of director	Nature of interest	Number of ordinary shares
Mr Chan Chak Shing	Corporate	395,562,500*
Mr Chan Hon Ching	Personal	11,250,000
Ms Chiu King Cheung	Personal	3,812,500
Ms Lo Mei Chun	Personal	2,600,000



* The corporate interest of Mr Chan Chak Shing represents the shares held by WIHL, which is beneficially owned and controlled by Mr Chan Chak Shing.

(b) Share options

Under the Share Option Scheme of the Company, the directors of the Company shall have the power at any time within a period of ten years from 5th July 1997 to make offers to any directors or employees of the Group to take up options to subscribe for shares in the Company subject to certain terms and conditions. The following directors were granted options exercisable at any time within ten years from the date of grant:

Name of director	Date of grant	Number of options held as at 1st January 2001	Options lapsed during the year	Options exercised during the year	Exercise price	Number of outstanding options as at 31st December 2001
Mr Chan Chak Shing	1st September 1997	16,000,000	–	–	HK\$1.53	16,000,000
	31st March 1998	11,500,000	–	–	HK\$0.36	11,500,000
	16th February 2000	2,300,000	–	–	HK\$0.24	2,300,000
Mr Chan Hon Ching	1st September 1997	1,000,000	–	–	HK\$1.53	1,000,000
	31st March 1998	22,000,000	–	–	HK\$0.36	22,000,000
	16th February 2000	2,000,000	–	–	HK\$0.24	2,000,000
Mr Pau Kwok Ping	1st September 1997	1,000,000	(1,000,000)	–	HK\$1.53	–
	30th October 2000	1,000,000	(1,000,000)	–	HK\$0.173	–
Mr Li Hok Wing	31st August 1997	1,000,000	(1,000,000)	–	HK\$1.53	–
	31st March 1998	2,000,000	(2,000,000)	–	HK\$0.36	–
	30th October 2000	1,000,000	(1,000,000)	–	HK\$0.173	–
Ms Chiu King Cheung	1st September 1997	1,000,000	–	–	HK\$1.53	1,000,000
	31st March 1998	22,000,000	–	–	HK\$0.36	22,000,000
	16th February 2000	1,000,000	–	–	HK\$0.24	1,000,000
Ms Lo Mei Chun	1st September 1997	600,000	–	–	HK\$1.53	600,000
	30th October 2000	1,000,000	–	–	HK\$0.173	1,000,000
		<u>86,400,000</u>	<u>(6,000,000)</u>	<u>–</u>		<u>80,400,000</u>



The average exercise price of the share options granted is above the market value of the Company's shares as at 31st December 2001 and accordingly, the directors are of the view that the disclosure of the value of the share options granted is not meaningful.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company or their respective associates (as defined under the Listing Rules) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in competing business

The directors of the Company declared that they have no interest in any competing business during the year.

Substantial shareholders

The register of substantial shareholders maintained under section 16(1) of the SDI Ordinance shows that as at 31st December 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares
WIHL	395,562,500

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in the Cayman Islands.

Purchase, sale or redemption of the Company's shares

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Major customers and suppliers

During the year, less than 30% of the Group's turnover and purchases were attributable to its five largest customers and suppliers.

Retirement scheme

Particulars of the Group's retirement scheme are set out in note 9 to the accounts.



Compliance with the Code of Best Practice of the Listing Rules

The directors are pleased to confirm that throughout the year ended 31st December 2001, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited except that the independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's Articles of Association.

Audit committee

The audit committee examined the accounting principles and practices adopted by the Group, and discussed with management its internal controls and financial statements. During the year, the audit committee has reviewed the unaudited interim financial statements for the six months ended 30th June, 2001 and the audited financial statements for the year ended 31st December 2001.

Auditors

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Chak Shing

Chairman

Hong Kong, 19th April 2002