

## CHAIRMAN'S STATEMENT

The Group's turnover for the year was HK\$51,791,000 as compared to HK\$128,875,000 in the prior year. Net loss attributable to shareholders amounted to HK\$95,103,000 as compared against a net loss of HK\$138,404,000 in 2001.

Below is the operational review of each division.

### Digital Broadcasting Division

The Group's Digital TV Services Division (operated by DVN (Holdings) Limited ("DVN"), a listed company in Hong Kong) is making the transition from a headend equipment supplier to a service provider as it quickens the pace of its digital rollouts. In 2002, the number of subscribers using DVN's set-top boxes increased by 218% to 38,920 households. DVN has pushed its rollout efforts more aggressively in Suzhou, Zhongshan, and Wuxi. Trial rollouts have also begun in Hebei and Shandong. These subscribers allow DVN to receive recurrent income compared to the one off revenues from the sales of headend equipment. Over time, DVN expects to receive more revenues from subscriptions than from sales of headend equipment. Already in Suzhou, DVN is earning enough from subscription revenues and from sales of set top boxes to support the local operation. DVN anticipates that other localities will also reach the breakeven point as the number of subscribers continue to increase. DVN's research expertise, practical field experience, and knowledge of China's regulatory policies, have given DVN an intricate understanding of the China's cable TV needs and have enabled it to develop solutions to meet these needs. DVN's first mover advantage has allowed it to place headends in locations that give DVN potential access to 30 million subscribers. For 2003, DVN intends to work with other partners to leverage on their expertise and local knowledge. DVN is also looking to working with other international companies who are looking to expand into China's growing digital TV market.

Following the resignation of a director of the Company on 13th December 2002, the Group lost the board control over DVN, our investments in DVN have been reclassified in our accounts at the end of the year from a subsidiary to an associated company in order to comply with the accounting standards, even though our shareholding did not change.

## CHAIRMAN'S STATEMENT

### Telecommunication and IP Telephony Division

The Group's telecommunication division continues to struggle under intense competition. Certain offices and operations were closed during the year in order to cut our costs and rationalize operations. This division has been actively seeking strategic partners to expand its business and customer base in order to increase our operational competitiveness.

The Group's computer telephony division has developed a new modular call center solution for medium size enterprises, providing affordable solutions for enterprises to improve customer services. This division continues to provide maintenance and value-added solutions to major banks for their phone-banking services.

### Home Audio Division

Our high-end audio distribution division has felt the blunt of the economic downturn. We have implemented strategies to minimize the inventory level for high-end audio products and suspended our expansion plans. We will proceed cautiously until the economy improves to spur consumer spending on luxury products.

### Future

DVN is still a significant and strategic investment to the Group. China's State Administration of Radio, Film and Television ("SARFT"), the China's primary regulator for the cable TV industry, has announced that 2003 is to be the beginning of a major effort to create a more profitable Pay TV business through the conversion of China's cable broadcasting system from analog to digital. SARFT stated its intention to migrate 30 million cable subscribers to digital by 2005. As the first company to have rolled out digital TV services in China, DVN is well positioned to take advantage of these new developments.

On the other hand, the Group has rationalized its other operations and contained their costs. The Group will need to strengthen its capital base and liquidity for future expansion and working capital needs. The management will continue to seek opportunities to enhance the Group's financial and capital structure and to explore strategic investments that are synergistic to the businesses of the Group.

### Appreciation

With this opportunity, I wish to extend my appreciation to all the directors and employees for their commitment and dedications during the year. I would also like to thank our shareholders, partners and associates for their continuing support.

**Ko Chun Shun, Johnson**  
*Chairman*

Hong Kong, 25th April 2003