

# CHAIRMAN'S STATEMENT

On behalf of the board of Directors, I am pleased to present the operating results of the Group for the year 2003.

## **REVIEW**

2003 was a challenging and eventful year for the Group. In the first half of 2003, the economy of Hong Kong and the People's Republic of China (the "PRC") was deeply impacted by the Severe Acute Respiratory Syndrome (SARS) epidemics and also with the war in Iraq. However with the signing of Closer Economic Partnership Agreement between Hong Kong and the PRC Government that allows individuals from the PRC to visit Hong Kong freely from the second half of last year, the economy of Hong Kong has gradually picked up.

### ***TransOnline***

The impact from SARS has seriously affected Transonline's membership roll out program, however we are still able to maintain its network based land transport logistic infrastructure with coverage over 200 network based service outlets across 150 medium to large cities in China which offering basic services such as cargo matching, personal authentication, vehicle maintenance, insurance and lodging for our TransOnline's members.

In the last quarter of 2003, we had resumed the promotion and marketing of our logistic system called "貨運小靈通" for freight-brokers industry.

### **DICO**

The DVB-Cable ("DVB-C") market in the PRC remained stagnant in 2003. Since the relevant authorities have yet to set the relevant standards for the DVB-C industry, in order to cope with the market environment, DICO has been working on vertical expansion such as providing installation and technical consultancy services for property developers of luxury residential estates across the PRC.

### ***The Possible Acquisition***

On 10th December 2003, the Group has entered into a conditional acquisition agreement ("Acquisition Agreement") with China Electronics Corporation ("CEC"), a state-owned enterprise established in the PRC, and Winsan International Holdings Limited in respect of the 65% equity interest in Shenzhen Sang Fei Consumer Communications Company Limited, a sino-foreign joint venture company incorporated in the PRC principally engaged in the manufacturing and sale of mobile phones, which is currently held by CEC (the "Acquisition").

The Directors believes that the Acquisition offers a great opportunity for the Group to engage in a business with proven profit track record and to bolster the Company's value.

### ***PROSPECTS***

2004 will be a challenge year for the Group with immense opportunities. The completion of the Acquisition is subject to the fulfillment of a numbers of condition precedents including the obtaining of the PRC regulatory approvals required to give effect to the transaction under the Acquisition Agreement; the approval by the Listing Committee of the Stock Exchange of Hong Kong Limited of the new listing application being made by the Group as a result of the Acquisition and the approval by the shareholders of the Company in a special general meeting. Pending completion, the Company will become the CEC Group's principal Main Board listed group operation in the communications, consumer electronics and related industries. Should the Acquisition may not take place, the Company continues to leverage off its cross-border operation and dedicate its available resources on TransOnline Group and DICO.

### ***APPRECIATION***

Lastly, I would like to extend my thanks to the Board of Directors, our shareholders and business partners for their continued support, and to express my deepest gratitude to all staff for their devotion and hard work.

**Chan Chak Shing**

*Chairman*

Hong Kong, 22nd April 2004