

REPORT OF THE DIRECTORS

The directors would like to present their report together with the audited accounts for the year ended 31st December 2003.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. 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 22 of the annual report.

The directors do not recommend the payment of a dividend for the year ended 31st December 2003 (2002: 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 LOANS

Particulars of the short-term and long-term loans of the Group are set out in notes 18 and 22 to the accounts, respectively.

BORROWING COSTS

No interest was capitalised by the Group during the year.

FINANCIAL SUMMARY

A summary of the results of the Group for the last five financial years and of its assets and liabilities of the Group as at the end of the last five financial years is set out on page 54 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

Non-executive director

Ms Chiu King Cheung

Independent non-executive directors

Mr Wong Po Yan

Mr Chan Kay Cheung

In accordance with Section 87(1) of the Company's Bye-Laws, Ms Chiu King Cheung will retire at the forthcoming annual general meeting of the Company and, being eligible, offer herself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Chan Chak Shing, Mr Chan Hon Ching and Ms Chiu King Cheung has 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.

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 page 10 of the annual report.

DIRECTORS' INTEREST IN CONTRACTS

No contract 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:

An amount of HK\$806,000 (2002: nil) was received from related companies beneficially owned by Mr. Chan Chak Shing, the Chairman of the Company for the provision of consultancy services for the development of the luxury residential real estates developed by the related companies.

No interest was paid (2002: HK\$1,064,000) to Winsan International Holdings Limited (“WIHL”), the ultimate holding company which holds 50.14% interest in the Company and is beneficially owned by Mr Chan Chak Shing, Chairman of the Company for an advance from WIHL. The interest paid in 2002 was calculated at Hong Kong prime rate on the amount due to WIHL as at 31st December 2002.

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.

SHARE OPTION SCHEMES

On 20th June 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 5th July 1997 (the “Share Option Scheme”) and the adoption of a new share option scheme (“New Scheme”). Accordingly, no options can be granted under the Share Option Scheme. Any outstanding options granted but unexercised under the Share Option Scheme shall continue to be exercisable.

Summary of each of the New Scheme and the Share Option Scheme are as follows:

Term	New Scheme	Share Option Scheme
Purpose	To provide the participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company	Not applicable
Participants	All executive and non-executive directors of the Company, full time employees and part-time employees of the Group, advisors, consultants, distributors, suppliers, agents, customers, partners, joint venture partners, promoters, service providers to the Group	Any employees (including executive directors) of the Company or any of its subsidiaries

REPORT OF THE DIRECTORS

Term	New Scheme	Share Option Scheme
Total number of ordinary shares available for issue and the percentage of the issued share capital that it represents as at the date of the annual report	111,320,000 ordinary shares and approximately 7% of the issued share capital as at the date of the annual report	Not applicable
Maximum entitlement of each participant	1% of the shares in issue in any 12-month period	Not exceeding 25% of the total maximum number of shares available for subscription
Period within which the securities must be taken up under an option	10 years from the business day on which the board of directors resolves to make an offer of option to the grantees	10 years from the offer of the grant of option
Minimum period for which an option must be held before it can be exercised	The Company must specify the minimum period at the time of grant of options	The Company must specify the minimum period at the time of grant of options
Amount payable on acceptance of the option	HK\$1.00	HK\$1.00 or its equivalent in RMB at the prevailing exchange rate at the time of offer
Period within which payments/calls/loans must be made/repaid	Not applicable	Not applicable
Basis of determining the exercise price	The higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant	The higher of (i) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of grant or (ii) the nominal value of a share
Remaining life of the scheme	The scheme remains in force until 19th June 2012	The outstanding options shall remain exercisable up to 29th October 2010

During the year, no options have been cancelled.

As at 31st December 2003, there were a total of 80,480,000 outstanding options under the Share Option Scheme. No options have been granted under the New Scheme. Details of the share options outstanding under the Share Option Scheme are as follows:

Name	Date of grant	Exercise price	Number of options as at 1st January 2003	Options lapsed during the year	Options exercised during the year	Number of outstanding options as at 31st December 2003
<i>Directors</i>						
Mr Chan Chak Shing	1st September 1997	HK\$1.53	16,000,000	–	–	16,000,000
	31st March 1998	HK\$0.36	11,500,000	–	–	11,500,000
	16th February 2000	HK\$0.24	2,300,000	–	–	2,300,000
Mr Chan Hon Ching	1st September 1997	HK\$1.53	1,000,000	–	–	1,000,000
	31st March 1998	HK\$0.36	22,000,000	–	–	22,000,000
	16th February 2000	HK\$0.24	2,000,000	–	–	2,000,000
Ms Chiu King Cheung	1st September 1997	HK\$1.53	1,000,000	–	–	1,000,000
	31st March 1998	HK\$0.36	22,000,000	–	–	22,000,000
	16th February 2000	HK\$0.24	1,000,000	–	–	1,000,000
Ms Lo Mei Chun	1st September 1997	HK\$1.53	600,000	–	–	600,000
	30th October 2000	HK\$0.173	1,000,000	–	–	1,000,000
Employees	30th October 2000	HK\$0.173	80,000	–	–	80,000
			<u>80,480,000</u>	<u>–</u>	<u>–</u>	<u>80,480,000</u>

All the above options are exercisable within the period of 10 years from the date of grant.

The average exercise price of the share options granted is above the market value of the Company's shares as at 31st December 2003 and accordingly, the directors are of the view that the disclosure of the value of the share options granted is not meaningful.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31st December 2003, the interests of the directors in the shares and underlying shares of the Company (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO are as follows:

(a) Number of shares of HK\$0.01 each and underlying shares in the Company

Name of director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total Interests	Total interests as % of the relevant issued share capital
Mr. Chan Chak Shing	25,000,000 ⁽¹⁾	37,800,000 ⁽²⁾	781,372,870 ⁽³⁾	–	844,172,870	54.16
Mr. Chan Hon Ching	36,250,000 ⁽⁴⁾	–	–	–	36,250,000	2.32
Ms. Lo Mei Chun	1,600,000 ⁽⁵⁾	–	–	–	1,600,000	0.10
Ms. Chiu King Cheung	27,812,500 ⁽⁶⁾	–	–	–	27,812,500	1.78

Notes:

- The personal interest of Mr. Chan Chak Shing represents the interest in 25,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the above section headed "SHARE OPTION SCHEMES".
- The family interest of Mr. Chan Chak Shing represents the interest in 33,000,000 shares and interest in 4,800,000 underlying shares in respect of the share options granted by the Company of the spouse of Mr. Chan Chak Shing, the details of which are set out in the above section headed "SHARE OPTION SCHEMES".
- 781,372,870 shares are held through WIHL, which is beneficially owned and controlled by Mr. Chan Chak Shing.
- The personal interest of Mr. Chan Hon Ching represents the interest in 11,250,000 shares and interest in 25,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the above section headed "SHARE OPTION SCHEMES".
- The personal interest of Ms. Lo Mei Chun represents the interest in 1,600,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the above section headed "SHARE OPTION SCHEMES".
- The personal interest of Ms. Chiu King Cheung represents the interest in 3,812,500 shares and interest in 24,000,000 underlying shares in respect of the share options granted by the Company, the details of which are set out in the above section headed "SHARE OPTION SCHEMES".

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (cont'd)**(b) Share options**

As at 31st December 2003, certain directors of the Company had share options outstanding under the Share Option Scheme, details of which are set out in the section headed "SHARE OPTION SCHEMES" above.

All the interests disclosed above represent long position in the shares and the underlying shares of the Company. As at 31st December 2003, no short positions were recorded in the register required to be kept under Section 352 of the SFO.

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.

DE-MINIMIS CONCESSION

Based on the Company's published final results for the year ended 31st December 2002, the Company had an audited consolidated net tangible deficit of HK\$40,583,000. As a result of the negative net tangible asset value, the Company would be required to disclose and obtain shareholders' approval in respect of all acquisitions and realisations of assets, which could be extremely onerous to the Company. As such, the Company applied to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the De-minimis Concession which would allow the Company flexibility to carry out its business activities.

On 9th May 2003, the Company obtained approval from the Stock Exchange to adopt the De-minimis Concession for the purpose of determining the "assets test" and the "consideration test" under Chapter 14 of the Listing Rules for classifying notifiable transactions (other than connected transactions) of the Company.

Each transaction (other than connected transaction) will be considered as de-minimis if (i) the transaction is carried out in the ordinary course of business of the Group; (ii) the transaction is entered into on normal commercial terms; and (iii) the consideration or the value of the transaction does not exceed HK\$1,000,000. In such circumstances, the "assets test" and the "consideration test" will not apply and such transactions will not be subject to any disclosure or shareholders' approval requirements.

The Stock Exchange's approval for the use of the De-minimis Concession will remain valid from 9th May 2003 until publication or the due date of publication of this annual report of the Company, whichever is earlier.

In view of the net tangible deficit of the Company as at 31st December 2003, the Company will make application to the Stock Exchange to continue to adopt the De-minimis Concession accordingly.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The directors of the Company declared that there is no competing business carried out during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2003, the Company had been notified of the following substantial shareholders' interests in the shares in the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Number of shares
WIHL	781,372,870

All the interests disclosed above represent long position in the shares of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws or the laws in Bermuda.

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, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and the percentages of sales for the year attributable to the Group's major customers are as follows:

Sales

– the largest customer	54%
– five largest customers combined	90%

Mr Chan Chak Shing, the director of the Company, is the ultimate beneficial owner of two of the five largest customers of the Group.

Save as disclosed, none of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) had an interest in the major suppliers or customers noted above.

RETIREMENT SCHEME

Particulars of the Group's retirement scheme are set out in notes 1(k)(ii) and 9 to the accounts.

PRACTICE NOTE 19 TO THE LISTING RULES

The following information is disclosed in accordance with the acquirements under Practice Note 19 ("PN19") to the Listing Rules:

(a) Trade receivables

As at 31st December 2003, the amount of trade receivable was approximately HK\$23,572. All these trade receivables had no collateral, were non-interest bearing with credit period ranging from 30 to 180 days and were all due from independent third parties (persons not connected with a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates) and incurred in the ordinary course of business of the Group.

The details of the abovementioned balances were as follows:

Name of debtors	Amount HK\$
天津市東麗區源豐空車配貨信息服務站 Yuanfeng Load-Matching For Vacant Vehicle Information Service Station of Dougli District in Tianjin City*	9,429
石家莊市大件運輸有限公司 Great Pieces Transportation Co., Ltd. of Shijiazhuang City*	14,143
	<hr/>
	<u>23,572</u>

* Free translation, for identification purposes only

(b) Outstanding guarantee

深圳迪科信息技術有限責任公司 (Shenzhen DIC Information Technologies Company Limited), a company that is now a 70% owned subsidiary of the Company, gave a guarantee in respect of certain banking facilities granted to 深圳市迪科網絡有限公司 (Shenzhen Dico Net Company Limited), a third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules. The guarantee was given in favour of 興業銀行深圳分行 (Industrial Bank Co. Ltd. Shenzhen Branch) on 24th August 2000 before Shenzhen DIC Information Technologies Company Limited was acquired by the Company in October 2001.

As at 31st December 2003, the principal amount so guaranteed was approximately HK\$6,675,000.

Saved as disclosed above, there is no other disclosure required to be made by the Company pursuant to PN19.

REPORT OF THE DIRECTORS

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The directors are pleased to confirm that throughout the year ended 31st December 2003, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for a specific terms but are subject to retirement by rotation in accordance with the Company's Bye-Laws.

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 2003 and the audited financial statements for the year ended 31st December 2003.

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, 22nd April 2004