

Chairman's Statement

The Group's operations collectively enjoyed a successful year in 2003. Concentrating resources on the core ZONE telecommunication business has proven to be a rewarding strategy, with the Group recording increased turnover and further improvement in the operating results. The Group delivered its promise to achieve positive EBITDA for the year, despite challenging market conditions.

Having established sustainable businesses in the United States, Hong Kong and Singapore, the Group is well positioned to take advantage of growth opportunities. The respective operations have built and deployed robust technology platforms and established steady customer bases, hence each operation is in a strong position to expand within and beyond its current geographical location.

In the United States, the Group is expected to continue to grow market share by expanding its ZONE US sales and channel presence to other regions within the country. Growth is also expected from current voice related services as well as from the new range of services that ZONE US has expanded into, which include local dedicated services, managed IP-VPN and other data solutions, as well as other IP-centric offerings.

The advent of Voice over IP (VoIP) has brought about a major technological shift in the delivery of voice calls. This has opened up new opportunities for offering telephone services to the residential and some small business segments of the market who have broadband cable or DSL Internet access. There are currently over 24 million broadband households in the United States. ZONE US is keeping abreast with the latest market, technological and regulatory developments in the United States and will consider expanding into such service offerings for the residential and small business market segments based principally on customer demand and financial returns.

In Hong Kong, although economic conditions have improved, the telecom market remains highly competitive. ZONE Hong Kong has identified significant opportunities for growth in serving Hong Kong corporations with presences in Mainland China that are seeking competitive and innovative services to

communicate with their counterparts in Mainland China. ZONE Hong Kong plans to meet demand by providing cost effective and reliable IP-centric alternatives.

With the passage of the Closer Economic Partnership Arrangement (CEPA) as well as China's entry to the World Trade Organisation (WTO), liberalisation of the Mainland's telecom sector will open up a huge market for Hong Kong companies. The Group is preparing for entry into the China market when the market and regulatory environment is ready and when prospects are favourable.

The Group sees good potential for ZONE Singapore to gain further market share. It will continue to introduce new innovative value-added services and maintain their high service and quality levels at competitive prices. Also as the pace of deregulation and growth intensifies in a number of countries in South-east Asia and South Asia, especially in India, the Group plans to use Singapore as its base for expansion in this region.

Looking globally, the telecom sector is in the midst of a paradigm shift as more and more open source and interoperable technologies are introduced into the market. Innovations such as Next Generation Network (NGN) solutions based on softswitch technology, common IP core infrastructure and flexible IP application protocols are offering customers greater choice to meet their communications needs, reducing geographical boundaries and bringing down the cost of providing telecommunication services. Voice, video and data communications are rapidly converging with advances in reliable integrated technologies.

IP-based developments which were initially focused on applications for wireline networks are now offering tremendous benefits for wireless operators as well. For example, as 3G networks begin to be rolled out and 2G continues to grow, efforts towards interoperability of radio interfaces and the evolution to an IP-based core network will enable operators not only to create networks that are more efficient and economical but also to deploy new and advanced voice, broadband data and video services.

As the Group continues to grow, prospects remain positive for building long-term sustainable business and delivering value to the shareholders. The Group's core competency remains the ability to bring innovative services to customers, and to do so efficiently by leveraging the best technologies and business systems available. The Group plans to aggressively explore opportunities where it can capitalise on its present technology platforms and extend beyond its existing operations. As exciting new technologies become available and as large new markets open up within geographically striking distance, the Group will continue to grow existing businesses while pursuing expansion opportunities into complementary areas of communications, including IP-centric, wireless and data services.

On behalf of the board of directors, I would like to thank our customers, shareholders, business associates and professional advisers for their support and also extend our appreciation to all employees for their hard work, dedication and commitment to the Group.

A handwritten signature in black ink, appearing to read 'R. Siemens', with a long, sweeping horizontal flourish extending to the right.

Richard John Siemens
Chairman

2 April 2004