

The Directors have pleasure in presenting their report together with the audited accounts of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 29 to the accounts.

An analysis of the Group’s performance for the year by business segments is set out in note 4 to the accounts. The activities of the Group are carried out in Hong Kong.

RESULTS

The results of the Group for the year ended 31st December 2002 are set out in the consolidated profit and loss account on page 42.

DIVIDENDS

No interim dividend was paid for the year (2001 : Nil). The Board does not recommend the payment of a final dividend for the year ended 31st December 2002 (2001 : Nil).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 78.

FIXED ASSETS

Movements in fixed assets of the Group during the year are set out in note 15 to the accounts.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in the statements of changes in shareholders’ equity on page 45.

Pursuant to the Companies Law (Revised) of the Cayman Islands and the Company’s Articles of Association, the share premium is distributable to shareholders provided that immediately following the date on which the dividend is proposed to be paid, the Company will be able to pay off its debts as they fall due in the ordinary course of business.

As at 31st December 2002, the reserves of the Company available for distribution to shareholders amounted to HK\$2,069,380,000 (2001 : HK\$2,093,511,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$300,000.

BORROWINGS

Details of the Group's bank loans and vendor loans are set out in note 23 to the accounts.

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Richard John Siemens	Co-Chairman
Edward Wai Sun Cheng	Co-Chairman
William Bruce Hicks	Group Managing Director
Kuldeep Saran	
Andrew Chun Keung Leung	

Non-executive Directors

Craig Edward Ehrlich	(changed as Non-executive Director on 1st January 2003)
Peter Kin Ngok Lam	
Henry Michael Pearson Miles*	
Simon Murray	
Robert John Richard Owen*	
Tak Sing Yip	(appointed on 11th June 2002)
Hongqing Zheng	
George Kin Wah Wong	(retired on 22nd May 2002)
Michael Triguboff	(resigned on 31st May 2002)

* Independent Non-executive Directors

Mr. Tak Sing Yip, being new Director appointed by the Board subsequent to the previous annual general meeting, shall retire from office at the forthcoming annual general meeting in accordance with Article 86(3) of the Company's Articles of Association.

Messrs. Peter Kin Ngok Lam and Craig Edward Ehrlich shall retire at the forthcoming annual general meeting in accordance with Article 87 of the Company's Articles of Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT EXECUTIVES

Biographical details of Directors and management executives are set out on pages 29 to 33.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has entered into or is proposing to enter into a service contract with the Company or its subsidiaries, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS 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 a 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.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st December 2002, the interests of the Directors and chief executive in the securities of the Company as recorded in the register kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company were as follows:

Interests in shares of the Company

Name of Director	Number of Shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Craig Edward Ehrlich	540,000	—	—	—	540,000

Interests in share options of the Company

— Under the share option scheme adopted on 1st March 2000

Name of Directors	Options held at 1st January 2002	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31st December 2002	Exercise price HK\$	Grant date ⁽¹⁾	Exercisable until	Options held at 25th March 2003
Richard John Siemens	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽⁴⁾
Edward Wai Sun Cheng	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽⁴⁾
William Bruce Hicks	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽⁴⁾
Kuldeep Saran	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽⁴⁾
Andrew Chun Keung Leung	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽⁴⁾
Craig Edward Ehrlich	15,000,000	—	—	—	15,000,000	1.01	31/05/2000	30/05/2010	— ⁽³⁾

Notes:

- Of the share options granted, 40% become exercisable after one year from the grant date and 30% per annum during the following two years.
- The 15,000,000 share options of Mr. Fergus Wilmer, the former chief executive of the Company, automatically lapsed during the year upon cessation of his employment.
- The 15,000,000 share options of Mr. Craig Edward Ehrlich automatically lapsed upon the expiry of his executive director service contract on 31st December 2002.
- In March 2003, a total of 75,000,000 share options of the five Executive Directors of the Company were cancelled at a total consideration of HK\$5. As at the date of this report, no options were held by the Directors of the Company.

Save as disclosed above, none of the Directors or chief executive of the Company nor their spouses or children under 18 years of age had any interests in, or had been granted or exercised, any rights to subscribe for any securities of the Company or any of its associated corporations during the year.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

As at 31st December 2002, the following parties (other than a Director or chief executive of the Company) were, directly or indirectly, interested or deemed to be interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance or as otherwise notified to the Company:

Name of Shareholders	Note	Number of Shares	Percentage of Total Issued Shares
Distacom Communications Limited ("Distacom")	1	1,380,000,000	46.2%
Distacom International Limited	1	1,380,000,000	46.2%
Sinomax Capital Limited	1	1,380,000,000	46.2%
USI Holdings (B.V.I.) Limited	2	345,000,000	11.5%
USI Holdings Limited	3	345,000,000	11.5%

Notes:

- These interests were held through Distacom's wholly-owned subsidiary, Distacom Hong Kong Limited. Each of Distacom International Limited and Sinomax Capital Limited, by virtue of their respective corporate interests in Distacom, was taken to be interested in the same 1,380,000,000 shares in which Distacom was interested. These shares therefore duplicate each other.
- These interests were held through USI Holdings (B.V.I.) Limited's wholly-owned subsidiary, Townhill Enterprises Limited.
- USI Holdings Limited was taken to be interested in 345,000,000 shares in the Company by virtue of its corporate interests in USI Holdings (B.V.I.) Limited.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the issued share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

SHARE OPTION SCHEMES

Details of the Share Option Schemes are set out in note 22 to the accounts.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under the laws in the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group earned less than 30% of its income from its five largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Percentage of purchases attributable to the Group's largest supplier	13%
Percentage of purchases attributable to the Group's five largest suppliers	28%

None of the Directors or their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has interests in any of the major suppliers noted above.

CODE OF BEST PRACTICE

The Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that Non-executive Directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the provisions of the Company's Articles of Association.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Richard John Siemens
Co-Chairman

Edward Wai Sun Cheng
Co-Chairman

Hong Kong, 25th March 2003