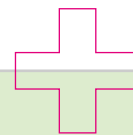


Report of the Directors



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 2003.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 28 to the accounts.

An analysis of the Group's performance for the year by business segments is set out in note 3 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 2003 are set out in the consolidated profit and loss account on page 33.

DIVIDENDS

No interim dividend was paid for the year (2002: Nil). The Board does not recommend the payment of a final dividend for the year ended 31st December 2003 (2002: 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 70.

FIXED ASSETS

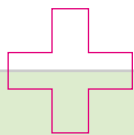
Movements in fixed assets of the Group during the year are set out in note 14 to the accounts.

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 36.

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 2003, the reserves of the Company available for distribution to shareholders amounted to HK\$2,059,979,000 (2002: HK\$2,069,380,000).



Report of the⁺ Directors

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$59,000 (2002: HK\$300,000).

BORROWINGS

Details of the Group's bank loans and vendor loans are set out in note 22 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	

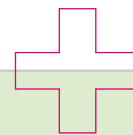
Non-executive Directors

John William Crawford*	(appointed on 10th November 2003)
Kenneth Michael Katz	(appointed on 16th January 2004)
Henry Michael Pearson Miles*	
Simon Murray	
Robert John Richard Owen*	
Hongqing Zheng	
Tak Sing Yip	(resigned on 28th March 2003)
Craig Edward Ehrlich	(retired on 22nd May 2003)
Peter Kin Ngok Lam	(retired on 22nd May 2003)

* Independent Non-executive Directors

In accordance with Article 86(3) of the Company's Articles of Association, Messrs. John William Crawford and Kenneth Michael Katz, being new Directors appointed by the Board subsequent to the previous annual general meeting, shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Under the Company's Articles of Association, the Directors, except the Co-Chairmen and the Group Managing Director, are subject to retirement by rotation and re-election at the annual general meeting. In accordance with Article 87 of the Company's Articles of Association, Messrs. Henry Michael Pearson Miles and Simon Murray shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.



BIOGRAPHICAL DETAILS OF DIRECTORS AND MANAGEMENT EXECUTIVES

Biographical details of Directors and management executives are set out on pages 22 to 26.

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.

RELATED PARTY TRANSACTIONS

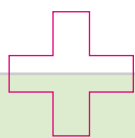
Details of the significant related party transactions undertaken in the normal course of business are provided under note 27 to the accounts. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31st December 2003, none of the Directors or the chief executive of the Company had any interests or short positions, in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

None of the Directors or the 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.

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.



Report of the⁺ Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE COMPANY

According to the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, the parties (other than a Director or chief executive of the Company), directly or indirectly, interested or deemed to be interested in 5% or more of the nominal value of the issued share capital of the Company as at 31st December 2003 were as follows:

Name of shareholders	Note	Number of shares	Percentage of Shareholding
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	390,632,000	13.1%
USI Holdings Limited	2	390,632,000	13.1%

Notes:

- (1) 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.
- (2) 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 the same 390,632,000 shares in the Company by virtue of its corporate interests in USI Holdings (B.V.I.) Limited. These shares therefore duplicate each other.

All the interests disclosed under this Section represent long positions in the shares of the Company.

Save as disclosed above, the Company has not been notified of any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporations which would fall to be disclosed to the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF SHARES

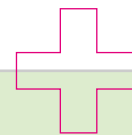
During the year, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares.

SHARE OPTION SCHEMES

Details of the Company's share option schemes are set out in note 21 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	12%
Percentage of purchases attributable to the Group's five largest suppliers	29%

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.

CORPORATE GOVERNANCE

The accounts for the year have been reviewed by the Audit Committee of the Board. The committee comprises four Directors, including three independent Non-executive Directors and a Non-executive Director. One of these Directors, Mr. John William Crawford, has appropriate professional qualifications and experience in financial matters.

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.

Further details on the subject of corporate governance are set out on pages 15 to 21.

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The Directors are ultimately responsible for the preparation of the accounts for each financial year which give a true and fair view. In preparing the accounts, appropriate accounting policies are selected and applied consistently.

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, 1st April 2004