

The directors of the Company (the "Directors") have pleasure to present their report and the first audited financial statements for the period from 7 February 2002 (date of incorporation) to 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

All the turnover and contribution to operating results are attributable to investment activities carried out or originate principally in Hong Kong.

RESULTS AND APPROPRIATIONS

The results of the Company for the period are set out in the profit and loss account on page 15.

The Directors do not recommend a payment of any dividend for the period.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 10 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the period are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES

Details of distributable reserves of the Company as at 31 December 2002 are set out in note 12 to the financial statements.

Under the Companies Law (2001 Revision) Chapter 22 of the Cayman Islands, the share premium account of the Company is available for distribution of dividends to shareholders subject to the provisions of the Company's Memorandum and Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Company for the period, as extracted from the audited financial statements, is set out below:–

	HK\$
Turnover	<u>142,569</u>
Loss attributable to shareholders	<u>(409,130)</u>
Total assets	46,130,825
Total liabilities	<u>(52,500)</u>
Net assets	<u>46,078,325</u>

DIRECTORS

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

Executive Directors:

Mr LUO Xiu Qing (<i>Chairman</i>)	(appointed on 28 April 2003)
Mr SHIU Shu Ming	(appointed on 9 May 2002 and resigned on 15 April 2003)
Mr LEE Wa Lun Warren	(appointed on 9 May 2002)
Mr LEE Kin Chung Simon	(appointed on 9 May 2002 and resigned on 28 February 2003)
Mr XIANG Xin	(appointed on 14 January 2003)
Mr NG Kwong Chue Paul	(appointed on 15 April 2003)
Mr LI Tong Yu	(appointed on 28 April 2003)

Independent non-executive Directors:

Mr WANG Zhengde	(appointed on 9 May 2002 and resigned on 17 October 2002)
Mr PENG Xue Jun	(appointed on 9 May 2002)
Mr David WANG Xin	(appointed on 17 October 2002)
Mr Cheng Gang	(appointed on 28 April 2003)

In accordance with Article 98(3) of the Articles of Association of the Company, Mr David Wang Xin, Mr Xiang Xin, Mr Ng Kwong Chue Paul, Mr Luo Xiu Qing, Mr Li Tong Yu and Mr Cheng Gang who were appointed as directors during the period shall hold office only until the forthcoming annual general meeting of the Company and shall be eligible for re-election.

DIRECTORS *(Continued)*

In accordance with Article 99 of the Articles of Association of the Company, Mr Lee Wa Lun Warren shall retire and being eligible, shall offer himself for re-election at the forthcoming annual general meeting of the Company.

The independent non-executive directors are not appointed for specific term and are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

DIRECTORS' SERVICE CONTRACTS

Each of Mr Shiu Shu Ming, Mr Lee Wa Lun, Warren and Mr Lee Kin Chung, Simon, the executive directors, has entered into a service contract with the Company on 18 July 2002 for an initial term of three years from 18 July 2002 and expiring on 17 July 2005. Owing to the termination of the directorship of Mr Shiu Shu Ming on 15 April 2003 and Mr Lee Kin Chung, Simon on 28 February 2003, their respective service contracts were terminated accordingly. The remaining above mentioned contract shall continue thereafter until terminated by either party giving to the other three months' prior written notice.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 5 to 6 of this Annual Report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

MANAGEMENT CONTRACTS

Save as disclosed in note 14 to the financial statements, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period.

SHARE OPTION SCHEME

The share option scheme ("Share Option Scheme") of the Company was adopted by its sole shareholder on 18 July 2002.

The purpose of the Share Option Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage the participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Eligible participants of the Share Option Scheme include (a) any full-time employee, Directors (including non-executive Director and independent non-executive Director) and part time employee with weekly working hours of 15 hours and above of the Company or of any of its subsidiaries; (b) any advisor or consultant (in the areas of financial or corporate managerial) to the Company or to any of its subsidiaries; and (c) any advisor, consultant, agent or business affiliates who, at the sole determination of the board of Directors, has contributed to the Company (the assessment criterion of which includes (i) such person's contribution to the development and performance of the Company; (ii) the quality of work performed by such person for the Company; (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Company).

Pursuant to the Share Option Scheme, the shares which are subject of options that may be granted immediately after the adoption date of the Share Option Scheme must not exceed 10% of the issued share capital of the Company on the date the shares commence trading on the Stock Exchange of Hong Kong Limited ("Stock Exchange"), being 20,000,000 shares upon completion of the initial public offer of the Company on 28 August 2002. The overall limit on the number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at any time. Any further grant of options in excess of this limit is subject to the shareholders' approval of the Company in a general meeting with such participant(s) and his associate(s) abstaining from voting.

The offer of a grant of share options may be accepted within 7 days from the date of the offer, upon payment of a consideration of HK\$1.00 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences on a specified date and ends on a date which is not later than 10 years from the date of the offer of the share options.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (a) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (b) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share on the date of grant.

No share option of the Company was granted to any eligible participant as at 31 December 2002.

DIRECTORS' INTEREST IN SECURITIES

As at 31 December 2002, none of the Directors, chief executives of the Company and their associates had any personal, family, corporate or other interests in securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as recorded in the register required to be kept under section 29 of the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the period was the Company a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, or their spouse or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be maintained by the Company under Section 16(1) of the SDI Ordinance:

	Number of shares	Approximate percentage or attributable percentage of shareholding (%)	Note
Harvest Rise Investments Limited	58,000,000	29.00	1
AP Wireless Net Inc.	52,000,000	26.00	2
WYSE Technology (Far East) Ltd.	24,000,000	12.00	3

Note 1: Harvest Rise Investments Limited is a private company wholly and beneficially owned by Mr Xiang Xin.

Note 2: AP Wireless Net Inc. is a private company wholly and beneficially owned by Mr Ng Kwong Chue, Paul.

Note 3: WYSE Technology (Far East) Ltd. is wholly and beneficially owned by WYSE Technology Taiwan Ltd., a public company listed in the Taiwan OTC market.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31 December 2002.

INVESTMENT MANAGEMENT AGREEMENT

Pursuant to the Investment Management Agreement (“Investment Management Agreement”) dated 18 July 2002 entered into between Hua Yu Investment Management Limited (“HYIM”) and the Company, HYIM has agreed to provide the Company with investment management services for a three-year period from 28 August 2002 in consideration of payment of a fee (the “Fee”) payable on a half yearly basis in Hong Kong dollars in advance on 1 April and 1 October each year at 1% per annum of the net asset value as at the immediately preceding valuation date, being the last dealing day of the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the board of Directors for the purpose of calculating the net asset value of the Company, in March and September respectively of each year. During the period, the Company paid a management fee of HK\$159,825 to HYIM.

Accordingly, HYIM is regarded as a connected person of the Company under Rule 21.13 of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange. In accordance with the requirements of the waiver granted by the Stock Exchange, the independent non-executive directors of the Company confirm that:

- (a) the transactions contemplated under the Investment Management Agreement have been entered into by the Company in the ordinary and usual course of its business and are conducted in accordance with the terms of the Investment Management Agreement;
- (b) the transactions contemplated under the Investment Management Agreement have been entered into on normal commercial terms and on arm’s length basis;
- (c) the transactions contemplated under the Investment Management Agreement have been entered into on terms that are fair and reasonable so far as the shareholders and the Company are concerned; and
- (d) the value of the annual Fee payable to HYIM does not exceed the higher of either 3% of the net asset value or HK\$10,000,000 for the period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period, the Company had not purchased, sold or redeemed any of the Company’s listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s Articles of Association nor is there any restriction against such rights under the laws of the Cayman Islands, being the jurisdiction under which the Company is incorporated.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10(2) of the Listing Rules:

Mr Lee Wa Lun, Warren is a director of Haywood Investments Limited, a group engaging in investment in listed and unlisted securities, and the business of which are deemed to constitute a competing business to the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the period ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the independent non-executive directors of the Company were not appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Company are set out in note 15 to the financial statements.

AUDIT COMMITTEE

As required by the Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the financial reporting process and internal control systems of the Company. The audit committee has two members comprising two independent non-executive directors of the Company namely Mr Peng Xue Jun and Mr David Wang Xin.

AUDITORS

Messrs HLB Hodgson Impey Cheng ("HLB") were appointed as auditors of the Company during the period.

On 14 March 2003, HLB tendered their resignation as auditors of the Company. Pursuant to an ordinary resolution passed by the members of the Company on 2 April 2003, Messrs Graham H.Y. Chan & Co. were appointed as auditors of the Company to fill the vacancy caused by the resignation of HLB until the conclusion of the forthcoming annual general meeting.

The financial statements for the period was audited by Messrs Graham H.Y. Chan & Co.. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint them as auditors.

ON BEHALF OF THE BOARD

Xiang Xin

Executive Director

Hong Kong

28 April 2003