

REPORT OF THE DIRECTORS

The directors of the Company (the “Directors”) have pleasure to present their report and the audited financial statements for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

The entire turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities carried out or originated principally in Hong Kong and the PRC.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the profit and loss account on page 19.

The Directors do not recommend the payment of any dividend.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 11 to the financial statements.

RESERVES

Details of movements in the reserves of the Company during the year are set out in the statement of changes in equity on page 21.

DISTRIBUTABLE RESERVES

Under the Companies Law (2003 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.

As at 31 December 2003, the Company had distributable reserves amounting to HK\$43,612,606.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

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

	For the year ended 31 December 2003 HK\$	For the period from 7 February 2002 (date of incorporation) to 31 December 2002 HK\$
Turnover	<u>934,830</u>	<u>142,569</u>
Loss attributable to shareholders	<u>(398,369)</u>	<u>(409,130)</u>
Total assets	<u>45,781,656</u>	46,130,825
Total liabilities	<u>(169,610)</u>	<u>(52,500)</u>
Net assets	<u>45,612,046</u>	<u>46,078,325</u>

DIRECTORS

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

Executive Directors

Mr Luo Xiu Qing (<i>Chairman</i>)	(appointed on 28 April 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)
Mr Chan Cheong Yee	(appointed on 1 June 2003)
Mr Lee Kin Chung Simon	(resigned on 28 February 2003)
Mr Shiu Shu Ming	(resigned on 15 April 2003)
Mr Lee Wa Lun Warren	(resigned on 1 June 2003)

Independent Non-executive Directors

Mr Peng Xue Jun	
Mr David Wang Xin	
Mr Chan Ming Fai	(appointed on 31 December 2003)
Mr Cheng Gang	(appointed on 28 April 2003 and resigned on 31 December 2003)

REPORT OF THE DIRECTORS

DIRECTORS *(Continued)*

In accordance with Article 98(3) of the Articles of Association of the Company, Mr Chan Cheong Yee and Mr Chan Ming Fai shall hold office only until the forthcoming annual general meeting of the Company and shall be eligible for re-election.

In accordance with Article 99 of the Articles of Association of the Company, Mr Peng Xue Jun and Mr David Wang Xin shall retire and, being eligible, shall offer themselves 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.

No director being proposed for re-election at the forthcoming annual general meeting has a 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

Biographical details of the Directors are set out on pages 6 and 7 of this Annual Report.

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 year.

DIRECTORS' INTERESTS IN CONTRACTS

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

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2003, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long positions in shares and the underlying shares of the Company

Name of directors	Number of shares	Number of underlying shares	Nature of interest/ Holding capacity	Approximate percentage of interests
Xiang Xin	26,000,000	– 800,000 (note 2)	Corporate (note 1) Family/beneficiary	13%
Ng Kwong Chue Paul	52,000,000	– 1,000,000 (note 4)	Corporate (note 3) Personal/beneficiary	26%
David Wang Xin	–	400,000 (note 4)	Personal/beneficiary	
Peng Xue Jun	–	1,200,000 (note 4)	Personal/beneficiary	

Notes:

1. The 26,000,000 shares are held by Harvest Rise Investments Limited, a private company wholly and beneficially owned by Xiang Xin.
2. On 29 January 2003, Kung Ching, spouse of Xiang Xin was granted share options as an advisor of the Company to subscribe for 800,000 shares pursuant to the Share Option Scheme of the Company. The options are exercisable at subscription price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant share options have been exercised.
3. The 52,000,000 shares are held by AP Wireless Net Inc., a private company wholly and beneficially owned by Ng Kwong Chue Paul.
4. On 29 January 2003, Ng Kwong Chue Paul, David Wang Xin and Peng Xue Jun were granted share options as advisors of the Company to subscribe for 1,000,000, 400,000 and 1,200,000 shares, respectively pursuant to the Share Option Scheme of the Company. The options are exercisable at subscription price of HK\$0.25 per share during the period from 28 August 2003 to 27 August 2013. No relevant share options have been exercised.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 31 December 2003, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Listing Rules.

SHARE OPTION SCHEME (the "Scheme")

(1) Summary of the Scheme

(a) Purpose of the Scheme

The purpose of the 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.

(b) Participants of the Scheme

Eligible participants of the 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 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).

(c) Total number of share available for issue under the Scheme

Pursuant to the Scheme, the shares which are subject of options that may be granted immediately after the adoption date of the Scheme must not exceed 10% of the issued share capital of the Company on the date the shares commence trading on the 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 Scheme and other share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

SHARE OPTION SCHEME (the “Scheme”) (Continued)

(1) Summary of the Scheme (Continued)

(d) Maximum entitlement of each participant

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.

(e) Time of exercise of options

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.

(f) Payment on acceptance of option offer

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.

(g) Basis of determining the subscription price

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.

(h) Remaining life of the Scheme

The Scheme will remain valid until 18 July 2012 after which no further options will be granted but in respect of all options which remain exercisable on such date, the provisions of the Scheme shall remain in full force and effect.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (the “Scheme”) (Continued)

(2) Details of Options granted by the Company

Details of the share options granted and remained outstanding as at 31 December 2003 were as follows:

	Date of Grant	Number of share options			Option period	Subscription price per share (note 3) HK\$
		Outstanding as at 1 January 2003	Granted during the year (note 1)	Outstanding as at 31 December 2003		
Directors						
Xiang Xin (note 2)	29/1/2003	–	800,000	800,000	28/8/2003- 27/8/2013	0.25
Ng Kwong Chue Paul	29/1/2003	–	1,000,000	1,000,000	28/8/2003- 27/8/2013	0.25
David Wang Xin	29/1/2003	–	400,000	400,000	28/8/2003- 27/8/2013	0.25
Peng Xue Jun	29/1/2003	–	1,200,000	1,200,000	28/8/2003- 27/8/2013	0.25
Shiu Shu Ming	29/1/2003	–	1,200,000	1,200,000	28/8/2003- 27/8/2013	0.25
Advisors	29/1/2003	–	15,400,000	15,400,000	28/8/2003- 27/8/2013	0.25
		–	20,000,000	20,000,000		

Note:

- (1) The closing price of the shares immediately before the date on which the options were granted was HK\$0.25 on 28 January 2003.
- (2) 800,000 options were granted to Kung Ching, spouse of Xiang Xin, as an advisor of the Company.
- (3) The average closing price as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding to the date of grant.

No share options were exercised, cancelled or lapsed during the year.

The Directors are of the view that it is not appropriate to state the value of the share options granted on the ground that a number of variables which are crucial for the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

REPORT OF THE DIRECTORS

INTEREST AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to any Director or chief executive of the Company, as at 31 December 2003, the persons or companies (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions of substantial shareholders in the shares of the Company

Name	Number of Ordinary Shares	Percentage of Shareholding
Harvest Rise Investments Limited (<i>note 1</i>)	26,000,000	13%
AP Wireless Net Inc. (<i>note 2</i>)	52,000,000	26%
WYSE Technology (Far East) Ltd. (<i>note 3</i>)	56,000,000	28%
Chen Ye Hwa	19,400,000	9.70%
Shu Kwan Long	11,776,000	5.89%

Note:

1. Harvest Rise Investments Limited is a private company wholly and beneficially owned by Xiang Xin.
2. AP Wireless Net Inc. is a private company wholly and beneficially owned by Ng Kwong Chue Paul.
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.

Save as disclosed above, as at 31 December 2003, the Company has not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHT TO ACQUIRE SHARES AND DEBENTURES

Save as disclosed under the heading "Share Option Scheme" above, at no time during the year was the Company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2003, the Company repurchased 56,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK\$49,840. All of the shares were subsequently cancelled. The nominal value of the cancelled shares of HK\$560 during the year was set-off with the issued share capital and the balance of HK\$49,280 was paid out from the Company's share premium. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
May 2003	56,000	HK\$0.95	HK\$0.80	HK\$49,840

The purchases were made for the benefit of the shareholders as a whole.

Apart from the above, the Company had not purchased, sold, or redeemed any of its listed securities during the year.

CONNECTED TRANSACTIONS

Significant connected transactions entered by the Company during the year ended 31 December 2003 are disclosed in note 14 to the financial statements.

In accordance with the requirements of the waiver granted by the Stock Exchange as referred to in the prospectus of the Company in respect of the transactions contemplated under the investment management agreement (the "Agreement") with Hua Yu Investment Management Limited ("HYIM"), the independent non-executive directors of the Company confirm that:

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

REPORT OF THE DIRECTORS

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

None of the Directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2003 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.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee comprises two Independent Non-executive Directors of the Company, namely Mr Peng Xue Jun and Mr David Wang Xin.

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Company.

The audit committee has met 2 times during the year.

AUDITORS

On 14 March 2003, HLB Hodgson Impey Cheng ("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.

The financial statements for the year have been audited by Messrs Graham H.Y. Chan & Co. who retire and offer themselves for re-appointment.

On behalf of the Board

Xiang Xin

Executive Director

Hong Kong, 25 March 2004