

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2002

1. ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001, except that the Group has adopted the following recently issued and revised SSAPs:

- SSAP 1 (Revised) : “Presentation of Financial Statements”
- SSAP 11 (Revised) : “Foreign Currency Translation”
- SSAP 15 (Revised) : “Cash Flow Statements”
- SSAP 25 (Revised) : “Interim Financial Reporting”
- SSAP 33 : “Discontinuing Operations”
- SSAP 34 : “Employee Benefits”

As a result of adopting these new and revised SSAPs, a condensed consolidated statement of changes in equity is now included in the interim financial statements and the condensed consolidated cash flow statement and the segment information are revised in accordance with the new requirements of these new and revised SSAPs. Accordingly, comparative amounts in condensed consolidated cash flow statement and segment information have been restated to conform with the current period presentation.

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. The impact of this SSAP is the inclusion of significant additional disclosures which are set out in note 5 to the condensed interim financial statements.

The adoption of the other new and revised SSAPs has no significant effect to the results of the Group in current and prior periods.

2. SEGMENT INFORMATION

An analysis of the Group's revenue and results by business and geographical segments are as follows:

(a) Business segments (Unaudited)

	Sanitary fixtures and fittings (Discontinued)		Hardware, industrial and consumer products (Discontinued)		Drainage, plumbing and engineering contracting services (Discontinued)		Wireless communication business		Communication solutions consultancy services		Internet operations		Corporate and other		Eliminations		Consolidated		
	For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenue:																			
Sales to external customers	38,860	32,863	20,258	22,019	9,152	23,215	-	-	572	8,063	-	672	-	-	-	-	68,842	86,832	
Intersegment sales	26	27	-	-	-	-	-	-	437	1,557	-	-	-	-	(463)	(1,584)	-	-	
Other revenue	714	984	369	134	-	-	-	-	-	52	-	-	-	295	(312)	(17)	771	1,448	
Total revenue	39,600	33,874	20,627	22,153	9,152	23,215	-	-	1,009	9,672	-	672	-	295	(775)	(1,601)	69,613	88,280	
Segment results	443	(16,985)	(926)	(2,212)	(1,907)	(5,756)	(9,931)	(2,941)	(1,995)	(9,554)	(312)	(13,520)	(11,997)	(24,480)	(436)	(1,267)	(27,061)	(76,715)	
Interest income and unallocated gains																		1,525	2,363
Provision for loans to an associate																		(13,703)	-
Impaired goodwill of an associate																		(48,807)	-
Loss on discontinued operations																		(4,616)	-
Loss from operating activities																		(92,662)	(74,352)
Finance costs																		(50)	(409)
Share of profit/(loss) of:																			
- Jointly-controlled entities	-	-	-	-	-	-	(30)	-	-	-	-	-	(31)	(5)	-	-	(61)	(5)	
- Associate	-	-	-	-	-	-	-	-	-	-	-	-	(13,882)	12,406	-	-	(13,882)	12,406	
Loss before tax																		(106,655)	(62,360)
Tax																		310	(642)
Loss before minority interests																		(106,345)	(63,002)
Minority interests																		(443)	262
Net loss from ordinary activities attributable to shareholders																		(106,788)	(62,740)

(b) Geographical segments (Unaudited)

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	For six months ended 30 June		For six months ended 30 June		For six months ended 30 June		For six months ended 30 June	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	63,285	74,207	5,557	12,625	–	–	68,842	86,832
Segment results:	(23,886)	(68,425)	(2,713)	(7,520)	(462)	(770)	(27,061)	(76,715)

3. OTHER REVENUE AND GAINS

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Rental income	251	874
Interest income	1,525	2,363
Others	520	574
	2,296	3,811

4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of goodwill	–	59
Deficit arising from revaluation of leasehold land and buildings	158	1,394
Deficit arising from revaluation of investment properties	350	830
Depreciation	4,906	4,741
Impaired goodwill of an associate	48,807	–
Impairment loss of fixed assets	–	5,940
Information Technology business operating costs#	13,141	38,942
Loss on discontinued operations	4,616	–
Loss on disposal of fixed assets	129	1,425
Provision for diminution in value of an investment property	–	4,000
Provision/(write back of provision) for doubtful debts	(1,278)	519
Provision for loans to an associate	13,703	–
Stock provision (included in cost of sales)	129	6,311

This amount included depreciation of HK\$2,984,000 (2001: HK\$2,658,000), impairment loss of fixed assets of nil (2001: HK\$5,940,000) and loss on disposal of fixed assets of HK\$59,000 (2001: HK\$1,014,000) as disclosed above.

5. DISCONTINUED OPERATIONS

(a) Disposal of the Group's entire equity interest in Acme Sanitary Engineering Company Limited ("ASE")

On 4 May 2002, Acme Sanitary Ware Company, Limited ("ASW") (an indirect wholly-owned subsidiary) entered into a sale and purchase agreement with an independent third party for the disposal of ASW's entire 100% equity interest in ASE (a wholly-owned subsidiary of ASW) at a consideration of HK\$2. This transaction was completed during the period and upon which the Group's business for provision of drainage, plumbing and engineering contracting services was then discontinued.

(b) Disposal of the Group's entire equity interest in Acme Landis Operations Holdings Limited ("ALOH")

On 29 May 2002, the Company entered into a share acquisition agreement with an independent third party for the disposal of the Group's entire 100% equity interest in ALOH at a consideration of HK\$1. This transaction was completed during the period and upon which ALOH ceased to be a subsidiary of the Company and the Group's businesses relating to the distribution of sanitary fixtures and fittings, a range of hardware, industrial and consumer products were discontinued.

The discontinuation of the Group's businesses in the distribution of sanitary fixtures and fittings, a range of hardware, industrial and consumer products and the provision of drainage, plumbing and engineering contracting services is consistent with the Group's strategy to concentrate on its wireless communication business.

The turnover, other revenue, expenses and results from the ordinary operations of ALOH and its subsidiaries (the "ALOH Group") analysed by business segments for the period from 1 January 2002 up to the date of disposal are as follows. Comparative information is included in accordance with SSAP 33 "Discontinuing Operations".

	Sanitary fixtures and fittings For the six months ended 30 June		Hardware, plumbing and industrial and consumer products For the six months ended 30 June		Drainage, engineering contracting services For the six months ended 30 June	
	2002	2001	2002	2001	2002	2001
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
TURNOVER	38,886	32,890	20,258	22,019	9,152	23,215
Cost of sales	(26,612)	(26,798)	(14,308)	(16,210)	(9,380)	(25,455)
Gross profit	12,274	6,092	5,950	5,809	(228)	(2,240)
Other revenue	1,326	1,934	513	573	-	131
Selling and distribution costs	(4,353)	(7,186)	(1,622)	(1,877)	-	-
Administrative expenses	(9,623)	(11,925)	(5,117)	(5,338)	(1,679)	(3,516)
Other operating income less expenses	1,659	(950)	(506)	(940)	-	-
Loss on disposal of a subsidiary	(6,355)	-	-	-	-	-
LOSS FROM OPERATING ACTIVITIES	(5,072)	(12,035)	(782)	(1,773)	(1,907)	(5,625)
Finance costs	(171)	(1,173)	(9)	(78)	(127)	(374)
LOSS BEFORE TAX	(5,243)	(13,208)	(791)	(1,851)	(2,034)	(5,999)
Tax	(29)	(91)	(1)	369	-	-
LOSS BEFORE MINORITY INTERESTS	(5,272)	(13,299)	(792)	(1,482)	(2,034)	(5,999)
Minority interests	(443)	43	-	-	-	-
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(5,715)	(13,256)	(792)	(1,482)	(2,034)	(5,999)

6. FINANCE COSTS

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts wholly repayable within one year or on demand	50	409

7. Tax

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Group:		
Hong Kong profits tax	(189)	(114)
Overprovision in prior years	159	392
	(30)	278
Share of tax attributable to an associate	340	(920)
Tax credit/(charge) for the period	310	(642)

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the period.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period of HK\$106,788,000 (2001: HK\$62,740,000) and the weighted average of 1,016,317,444 ordinary shares (2001: weighted average of 1,001,358,767 ordinary shares) in issue during the period.

The diluted loss per share amounts for the periods ended 30 June 2002 and 30 June 2001 have not been shown as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for the periods.

9. INTERIM DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the year ending 31 December 2002 (2001: Nil).

10. LOAN TO ACME LANDIS OPERATIONS HOLDINGS LIMITED ("ALOH")

The loan to ALOH is secured by a pledge given by the purchaser of ALOH in respect of 100 million shares of the Company. The loan is interest-free and the principal of the loan will be reduced upon receipt of repayment from ALOH, or by the amount of net proceeds of disposal of secured shares, or upon the disposal of the last remaining shares when the outstanding loan has not been repaid, the principal shall be reduced to zero.

11. TRADE RECEIVABLES

The Group grants credit periods of up to 90 days to its customers. An aged analysis of the trade receivables as at the balance sheet, based on invoice date, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Current	3	8,641
1-3 months	76	12,926
Over 3 months	170	18,216
	249	39,783
Bad debts provision	–	(15,744)
	249	24,039

12. TRADE PAYABLES AND ACCRUALS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Trade and bills payables	332	16,482
Other payables and accruals	4,205	13,819
Due to contract customers	–	3,059
Customer deposits	–	1,756
	4,537	35,116

An aged analysis of trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Current	–	6,371
1-3 months	–	4,956
Over 3 months	332	5,155
	332	16,482

13. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Bank loans and overdrafts – secured	–	4,326
Bank overdrafts repayable within one year or on demand	–	–
Bank loans repayable within one year	–	4,326
	–	4,326
Portion classified as current liabilities	–	(4,326)
Long term portion	–	–

14. SHARE CAPITAL

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Authorised:		
3,000,000,000 (2001: 3,000,000,000) ordinary shares of HK\$0.10 each	300,000	300,000
Issued and fully paid		
1,101,873,000 (2001: 1,001,873,000) ordinary shares of HK\$0.10 each	110,187	100,187

A summary of the movements in the issued share capital of the Company during the period is as follows:

	Number of ordinary shares	Issued and fully paid (Unaudited) HK\$'000
At 1 January 2002	1,001,873,000	100,187
Shares issued during the period	100,000,000	10,000
At 30 June 2002	1,101,873,000	110,187

On 4 June 2002, i100 Capital Corporation, a substantial shareholder of the Company, placed 124 million shares of the Company to more than six independent professional and/or institutional investors at a price of HK\$0.3 per share (“Placing Price”). The Placing Price represented a discount of approximately 24.1% to the closing price of HK\$0.395 per share as quoted on The Stock Exchange of Hong Kong Limited on 3 June 2002.

On the same date, i100 Capital Corporation agreed to subscribe for 100 million new shares issued by the Company at the price equal to the Placing Price less all expenses incurred in connection with the private placement. The new shares issued represented approximately 10% of the Group’s issued share capital immediately before the private placement and approximately 9.1% of the enlarged issued share capital. The net proceeds of the subscription of approximately HK\$29 million are planned to be used for development in wireless data service and as general working capital of the Group. All shares issued rank pari passu with the existing shares in issue in all respects.

15. CAPITAL COMMITMENTS

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Capital commitments contracted for:		
Capital injection related to the Group's interests in jointly-controlled entities and non wholly-owned subsidiaries	24,238	24,238

Save as disclosed above, the Group had no other significant capital commitments at the balance sheet date.

16. PLEDGE OF ASSETS

As at 30 June 2002, the Company and the Group had no pledged assets.

The pledge of assets for banking facilities granted to the Group as set out in the audited financial statements for the year ended 31 December 2001 were all owned by the ALOH Group which was disposed of by the Company during the period.

17. CONTINGENT LIABILITIES

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Bank guarantees given to secure general banking facilities granted to ALOH Group	87,100	–

As the ALOH Group was disposed of by the Company during the period, the above bank guarantees given by the Company will be released on or before 31 December 2002.

Save as disclosed above, the Group had no other significant contingent liability at the balance sheet date.

18. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with related companies:

	<i>Notes</i>	Six months ended 30 June 2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Office rental expenses paid to Avon Limited	<i>(i)</i>	1,282	1,386
Warehouse rental expenses paid to:	<i>(i)</i>		
Come Trend Limited		200	270
Chung Yuen Electrical Company Limited		200	240
Warehouse rental income received from Chung Yuen Electrical Company Limited	<i>(i)</i>	100	120
Purchase of an upgraded web content management system from Asiaweb Technologies Limited	<i>(ii)</i>	–	1,807

Notes:

- (i) The rental expenses and income were determined by the directors by reference to open market rentals, prevailing at the times when the tenancy agreements were entered into.
- (ii) Asiaweb Technologies Limited, is a wholly-owned subsidiary of Asiaweb ASP Limited, an associate of the Group. Last year's purchases were carried out at prices and terms comparable with those charged by independent third party suppliers of the Group.

19. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of its entire equity interests in ASE and ALOH. Further details are set out in note 5 to the interim financial statements.

The following summarises the effect of the disposals:

	Six months ended 30 June 2002 (Unaudited) HK\$'000
Total assets	98,503
Total liabilities	(92,588)
Minority interests	(1,272)
Net assets disposed of	4,643
Release of goodwill	(27)
Loss on disposal of subsidiaries	(4,616)
	-
Net outflow of cash and cash equivalents in respect of disposal of subsidiaries:	
Cash consideration	-
Cash and cash equivalents disposed of	(160)
	(160)

The total cash consideration for the disposal of subsidiaries was HK\$3.

The results of the subsidiaries disposed of during the period are set out in note 5 to the interim financial statements.

The subsidiaries disposed of during the period contributed HK\$5,062,000 to the Group's net operating cash outflow, received HK\$766,000 in respect of the net cash inflow from investing activities and contributed HK\$1,416,000 to net cash inflow from financing activities.

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 23 September 2002.