FINANCIAL REVIEW

Revenue

Turnover of the Group was HK$70 million, a 64% decrease from the previous year. The decrease in revenue was due to the disposal of the Group's entire shareholding in (i) Acme Sanitary Engineering Company Limited, which is engaged in the business of the provision of drainage, plumbing and engineering contracting services, on 4 May 2002 and (ii) Acme Landis Operations Holdings Limited, which is engaged in the business of trading of sanitary fixtures and fittings and a range of hardware, industrial and consumer products, on 29 May 2002. Save for the disposal of Acme Landis business disclosed above, there is no change in market segment. It is the Group's strategy to concentrate on its wireless communication business. There are no material changes in other industry segment nor material developments within the segment other than wireless communication business.

Gross Margin

Gross margin increased to 26%, compared to 14% in the previous year, primary due to an overall increase in gross margin from Acme Sanitary Engineering Company Limited and Acme Landis Operations Holdings Limited before the disposals in May 2002.

Operating expenses

The Group's loss was HK$191.4 million which included provision of HK$42.1 million for a loan to Acme Landis Operations Holdings Limited ("Acme Landis"), provision of HK$14.2 million for loans to an associate, impaired goodwill of an associate of HK$48.8 million, loss on discontinued operations of HK$4.6 million, impairment loss of fixed assets of HK$0.8 million, provision for bad debts of HK$6.1 million (net) and share of loss of an associate of HK$14.0 million. The outstanding loan balance due from Acme Landis as at 31 December 2002 was HK$45.8 million which is secured by a pledge in respect of 76 million shares of the Company. On prudence basis, provision of HK$42.1 million is made to reflect the market value of the pledged shares as at 31 December 2002. The provision of HK$14.2 million for loans to an associate is made because the proposed listing exercise of that associate is delayed. Loans were advanced to that associate mainly for its working capital requirements. Full provision is made because that associate has limited tangible assets and is unlikely to have sufficient funding to repay the outstanding amount in the near future. An impairment of goodwill on acquisition of an associate which was previously eliminated against consolidated reserves was recognized amounting to HK$48.8 million in the fiscal 2002. The Group has the opinion that the associate is unlikely to generate sufficient profit and cashflow in the near future to match with the related goodwill because the proposed listing exercise of one of the subsidiary of that associate was delayed. The loss on discontinued operations of HK$4.6 million arose from the disposal of Acme Landis Division in May 2002. Impairment loss of fixed assets of HK$0.8 million was for furniture, fixtures, and equipment. The net provision of bad debt of HK$6.1 million included a provision for bad debt of HK$7.2 million which was made for other receivables because the debtor requested a change of selling price after the transaction was completed and the Group refused. Full provision is made on prudence basis. The share of loss of an associate of HK$14.0 million was related to an associate which the Group owns 49%.

The Group has capital commitments of HK$24.2 million related to the Group's interests in jointly-controlled entities and non-wholly-owned subsidiaries. Save as disclosed above, the Group has no other plans for material investments or capital assets, except for the Group's development of the wireless business.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2002, the total shareholders' equity of the Group was approximately HK$11.7 million, a decrease of 90.8% over that as at 31 December 2001. At the balance sheet date, the cash and cash equivalents stood at HK$1.8 million. The Group's cash is primarily in Hong Kong and US Dollars, and placed in leading commercial banks as time deposits with various maturities. There was no bank borrowing as at the balance sheet date, compared with that of HK$4.3 million last year. The Group has no material exposure to fluctuations in exchange rates and any related hedges.

During the year, the group acquired the business of Digital Empires Company Limited for a consideration of HK$502,500 which was satisfied by the issuance of 2,500 ordinary shares of solution100 Limited of HK$1 each, a wholly-owned subsidiary of the Company, and cash of HK$500,000. The consolidated net assets acquired were approximately HK$18,000.

Charges on Group Assets

There was no charge on the Group's assets as at 31 December 2002.

Contingent Liabilities

As at 31 December 2002, the Group had contingent liabilities of approximately HK$87.1 million in respect of bank guarantees given to secure banking facilities granted to certain subsidiaries which were disposed of by the Group in May 2002. Such guarantees were released by the relevant banks subsequent to the close of business on 31 December 2002. There are no other contingent liabilities of the Group.

Employees and Remuneration Policies

As at 31 December 2002, the Group employed approximately 80 full time management, technical and administrative staff in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). The Group remunerates its employees based on their performance, experience and prevailing industry standards. The Group has a share option scheme to motivate valued employees.

Placing of New Shares

On 4 June 2002, the Group announced that 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 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 were 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.

REVIEW OF OPERATIONS

solution100

The Group has redirected the extensive technological and market expertise of its wireless solutions arm, solution100, to support the wireless data service. This is a contingency tactic for solution100, as its traditional business environment remains subdued from reduced corporate IT spending.

Wireless Data Service

The Group's wholly-owned subsidiary, i100 Wireless (Hong Kong) Limited, is principally engaged in the provision of a branded wireless data services as a full service mobile operator using MVNO (Mobile Virtual Network Operator) business structure in Hong Kong. The key principle of the service is a GPRS-driven and entertainment focus wireless data service supported by international content providers, leading wireless games companies and major telecommunication carriers that fits with our target audience's mobile lifestyle. We believe the future of the mobile data business remains promising and we will continue to strive to become a leader in this market.

Legacy Businesses

Resources from legacy business Ask100 and OnAir100 continue to be adapted and utilized to develop the wireless data business. The subscriber data base, community base, content links and technical expertise of the team have been put to full use in Wireless data services.

Acme Landis

The Acme Landis business, which is engaged in the business of the provision of drainage, plumbing and engineering contracting services, trading of sanitary fixtures and fittings and a range of hardware, industrial and consumer products, suffered negative growth in turnover and consequently higher losses were recorded. The Group sold its entire shareholding in Acme Landis in May 2002.