

# Report of the Directors

The directors present their annual report and the audited financial statements of the Company and the Group for the year ended 31 December 2002.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The current subsidiaries are engaged in investing in and operating information technology companies through a network of divisions. These divisions incorporate a digital solutions provider and other strategic investments in optical networking. During the year, the Group re-deployed and utilised its resources regarding a multimedia enabler and on-line expert site to wireless data services. Details of the principal subsidiaries and their activities are set out in note 18 to the financial statements.

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 Acme Sanitary Engineering Company Limited (“ASE”) (a wholly-owned subsidiary of ASW) at a consideration of HK\$2. This transaction was completed during the year, upon which the Group’s business of the provision of drainage, plumbing and engineering contracting services was then discontinued.

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 Acme Landis Operations Holdings Limited (“ALOH”) at a consideration of HK\$1. This transaction was completed during the year, 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, and a range of hardware, industrial and consumer products were discontinued.

The above activities have been accounted for as discontinued operations in the preparation of the current year’s financial statements, details of which are set out in note 8 the financial statements. Other than the disposal of the Group’s non-IT related businesses to independent third parties, there were no other significant changes in the nature of the Group’s principal activities during the year.

## RESULTS AND DIVIDENDS

The Group’s loss for the year ended 31 December 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 79.

The directors do not recommend the payment of a dividend in respect of the year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 80. This summary does not form part of the audited financial statements.

## FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements.

## **SHARE CAPITAL AND SHARE OPTIONS**

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements, respectively.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## **PURCHASE, REDEMPTION OR SALES OF THE COMPANY'S LISTED SHARES**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the year.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity.

At 31 December 2002, the Company did not have any reserves available for distribution to shareholders. Under the laws of Bermuda, the Company's share premium account, in the amount of HK\$255,030,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda, the Company may make distributions from its contributed surplus in certain circumstances, prescribed by Section 54 thereof, which the Company was unable to satisfy as at 31 December 2002.

## **MAJOR CUSTOMERS AND SUPPLIERS**

Both the aggregate amounts of turnover and purchases attributable to the Group's five largest customers and suppliers for the year were less than 30% of the Group's total turnover and purchases, respectively.

## DIRECTORS

The directors of the Company during the year were:

### *Executive directors:*

CHEUK, Ho Yeung Gerald	(appointed on 24 December 2002)
KAN, Siu Kei Laurie	
VONG, Tat leong David	
CHIU, Chun Leong David	(resigned on 31 May 2002)
CHIU, Chung Kwong John	(resigned on 31 May 2002)

### *Non-executive directors:*

KO, Pil Jae Peter	
CHAN, Jui Tun Jedi	(retired on 6 June 2002)
HSU, Ta Lin	(resigned on 24 December 2002)

### *Independent non-executive directors:*

TSANG, Wai Chun Marianna
WONG, Ying Wai Wilfred

Subsequent to the balance sheet date, on 10 March 2003, Mr. Koon Wing Yee, Ms. Lui Yuk Chu and Mr. Tsang Yiu Kai were appointed as executive directors of the Company and Mr. Chan Chi Chung, Ms. Leung Siu Mei, Ms. Louie Siu Kuen and Mr. Wong Sui Wah, Michael were appointed as non-executive directors of the Company. On 15 April 2003, Mr. Ko Pil Jae, Peter resigned as a non-executive director of the Company.

Subsequent to the balance sheet date, on 25 April 2003, being the date after the approval of the audited financial statements for the year ended 31 December 2002 of the Company by the board of directors, Mr. Cheuk Ho Yeung, Gerald, Mr. Kan Siu Kei, Laurie and Mr. Vong Tat leong, David will resign as executive directors, Mr. Chan Chi Chung, Ms. Leung Siu Mei, Ms. Louie Siu Kuen and Mr. Wong Sui Wah, Michael will resign as non-executive directors, and Ms. Tsang Wai Chun, Marianna and Mr. Wong Ying Wai, Wilfred will resign as independent non-executive directors. On the same date, Mr. Kwong Cheung Tim and Mr. Kan Ka Hon will be appointed as independent non-executive directors.

In accordance with bye-law 86(2) of the Company's Bye-laws, Mr. Koon Wing Yee, Ms. Lui Yuk Chu, and Mr. Tsang Yiu Kai, Mr. Kwong Cheung Tim and Mr. Kan Ka Hon hold office only until the forthcoming annual general meeting and, being eligible, will then offer themselves for re-election.

In accordance with bye-law 87(2) & (3) of the Company's Bye-laws, Mr. Vong Tat leong, David and Mr. Wong Ying Wai, Wilfred (who have been the longest in office since their last re-election or appointment) would have retired from office by rotation. As Mr. Vong Tat leong, David and Mr. Wong Ying Wai, Wilfred will resign on 25 April 2003, in such case, they will not be eligible for re-election at the forthcoming annual general meeting.

## **DIRECTORS' BIOGRAPHIES**

Biographical details of the directors of the Company are set out on pages 10 to 12 of the annual report.

## **DIRECTORS' SERVICE CONTRACTS**

Mr. Cheuk Ho Yeung, Gerald, Mr. Kan Siu Kei, Laurie and Mr. Vong Tat leong, David have entered into service contracts with the Company for a term of three years with effect from 1 June 2000 until 31 May 2003, which will continue thereafter until terminated by either party by not less than one month's prior written notice. Subsequent to the balance sheet date on 20 January 2003, the service contracts between these directors and the Company were terminated. On 1 February 2003, Mr. Cheuk Ho Yeung, Gerald entered into a new service contract with i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of the Company for a term of three years with effect from 1 February 2003 until 31 January 2006, which will be renewable for a further term of three years, unless and until terminated by either party by giving not less than one month's prior written notice.

Save as disclosed above, none of the directors 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.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 35 to the financial statements, no director had a beneficial interest in any material contract to which the Company or any of its subsidiaries was a party during the year.

## DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

At 31 December 2002, the directors of the Company and their associates held the following interests in the issued share capital and share options of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance")) which require notification pursuant to Section 28 of the SDI Ordinance or the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code") or as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance:

### (a) Shares of the Company

Name of director	Number of ordinary shares held and nature of interest		
	Personal	Corporate	Total
KAN, Siu Kei Laurie	—	137,000,000	137,000,000
VONG, Tat leong David	—	137,000,000	137,000,000

Notes:

Messrs. Kan Siu Kei, Laurie and Vong Tat leong, David were interested in an aggregate of 137,000,000 shares through their respective interests in i100 Holdings Corporation ("i100 Holdings"). i100 Holdings is beneficially owned as to 50% by Mr. Kan Siu Kei, Laurie through Romaine Investment Limited ("Romaine"), and 40% by Mr. Vong Tat leong, David through Bev-Tiff Corporation ("Bev-Tiff"). Each of Romaine and Bev-Tiff are 100% owned and controlled by Mr. Kan Siu Kei, Laurie and Mr. Vong Tat leong, David, respectively.

Save as disclosed above, none of the directors of the Company or their associates had any personal, family, corporate or other interest in the securities of the Company or any of its associated corporations required to be disclosed pursuant to the SDI Ordinance.

### (b) Share Options

Pursuant to the Company's share option scheme as detailed in note 29 to the financial statements, the Company has granted to a director of the Company rights to subscribe for shares in the capital of the Company. Details of the movements in the share options granted to a director of the Company during the year were as follows:

Name of director	Exercise price	Exercise period	Outstanding options as at 1 Jan 2002	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding options as at 31 Dec 2002	Share price at grant date of options
CHEUK, Ho Yeung Gerald	HK\$0.4032	31 Aug 2002 to 30 Aug 2011	25,000,000	—	—	—	25,000,000	0.50

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Company's directors to acquire such rights in any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, according to the register maintained by the Company pursuant to Section 16(1) of the SDI Ordinance, the following persons were, directly and indirectly, interested in 10% or more of the Company's issued share capital:

Name of shareholder	Notes	Number of shares held
Asia Pacific Growth Fund III, L.P.	1	472,000,000
i100 Capital Corporation	1	317,000,000
i100 Holdings	2	137,000,000
Bev-Tiff	2	137,000,000
Romaine	2	137,000,000

Notes:

1. Asia Pacific Growth Fund III, L.P. ("H&Q AP Fund") held a direct interest in 155,000,000 shares. H&Q AP Fund is beneficially interested in approximately 69.4% of the share capital of i100 Capital Corporation ("i100 Capital"). By virtue of the SDI Ordinance, H&Q AP Fund is therefore also deemed to be interested in the 317,000,000 shares held by i100 Capital.
2. i100 Holdings is owned as to 50% by Romaine, 40% by Bev-Tiff and 10% by Amie Corporation. Each of Romaine and Bev-Tiff is entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of i100 Holdings. By virtue of the SDI Ordinance, Romaine and Bev-Tiff are deemed to be interested in the 137,000,000 shares held by i100 Holdings.

Save as disclosed above, no person, other than Messrs. Kan Siu Kei, Laurie and Vong Tat leong, David, whose interests are set out under "Directors' interests in shares and share options" above, had registered an interest in the issued share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

## POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

## CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the annual report, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the provisions of the Company's Bye-laws.

## **AUDIT COMMITTEE**

The Audit Committee meets with the Company's financial management and external auditors to discuss and review financial reporting, auditing and internal control matters. The members of the Audit Committee are Mr. Wong Ying Wai, Wilfred (chairman) and Ms. Tsang Wai Chun, Marianna, both of whom are independent non-executive directors. The Audit Committee has reviewed the relevant audited financial statements and the report of the Group for the year ended 31 December 2002.

## **AUDITORS**

Ernst & Young will retire as auditors of the Company at the forthcoming annual general meeting. A resolution for the appointment of Messrs. Deloitte Touche Tohmatsu, Certified Public Accountants, as auditors of the Company to fill the casual vacancy created by the retirement of Messrs. Ernst & Young will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

**KAN, Siu Kei Laurie**

*President*

Hong Kong

24 April 2003