1. CORPORATE INFORMATION

The registered office of i100 Limited is located at Clarendon House, Church Street, Hamilton HM11, Bermuda.

During the year, the Group was involved in the following principal activities:

Continuing operations:

- wireless communication business
- provision of communication solutions consultancy services
- Internet operations

Discontinued operations (note 8):

- sales of sanitary fixtures and fittings
- sales of hardware, industrial and consumer products
- drainage, plumbing and engineering contracting services

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINIES

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of HK$191,424,000 for the year ended 31 December 2002 and had consolidated net current liabilities of HK$3,521,000 and consolidated net assets of HK$11,719,000 as at 31 December 2002. In preparing these financial statements, the directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and cash positive operations in the immediate and longer terms.

During the year, the Group disposed of its non-IT related businesses as part of its strategic plan to focus its resources in the wireless communication business.

Additionally, active cost-saving measures to streamline the Group's continuing operations have been implemented to substantially reduce the operating expenses of the Group and cash outflows in the coming year. Notwithstanding its liquidity concerns as at 31 December 2002, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future. In the opinion of the directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration the measures implemented to date and a loan of approximately HK$30,270,000 advanced by a subsidiary of the new holding company subsequent to year end. The directors also believe that, should it prove necessary, the new holding company will provide adequate funds for the Group to meet its liabilities as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

2. BASIS OF PRESENTATION AND FUNDAMENTAL UNCERTAINIES *(Continued)*

The financial statements have not incorporated any adjustments that would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets, should the going concern assumption be inappropriate. The effects of such adjustments have not been reflected in the financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 33: "Discontinuing operations"
- SSAP 34: "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs which have had a significant effect on the financial statements, are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for the structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 24 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are now translated to Hong Kong dollars at the weighted average exchange rates for the years, whereas previously they were translated at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details of these changes are included in the accounting policy "Foreign currencies" in note 4 and in note 31(a) to the financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 33 replaces the existing disclosure requirements for discontinued operations, which were previously included in SSAP 2. The SSAP defines a discontinued operation and prescribes when an enterprise should commence including discontinued operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinued operations are now included in note 8 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in the recognition of an accrual for paid holiday carried forward by the Group's employees as at the balance sheet date. This SSAP has had no material effect on amounts previously reported in the prior year's financial statements. Disclosures are now required in respect of the Company's share option scheme, as detailed in note 29 to the financial statements. These share option scheme disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now included in the notes to the financial statements as a consequence of the SSAP.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, and certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distribution of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control, directly or indirectly over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities are included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting less any impairment losses.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is a company, not being a subsidiary or jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of an associate is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in an associate is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Goodwill arising from the acquisition of associates, which was not previously eliminated against reserves, is included as part of the Group's interests in associates.

The results of an associate are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interest in an associate is treated as a long term asset and is stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated reserves. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the goodwill reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the goodwill reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the goodwill reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of a fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	2%
Buildings	3-1/3%
Furniture, fixtures and equipment	20% to 33-1/3%
Motor vehicles	20% to 50%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to produce a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long term investments (Continued)

Listed and unlisted equity securities which are not classified as investment securities are classified as other investments. Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date. Unlisted securities are stated at their estimated fair values as estimated by the directors having regard to information known to them and to market conditions existing at the balance sheet date, on an individual investment basis. The gains and losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories, which comprise finished goods, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the profit and loss account of overseas subsidiaries, jointly-controlled entities and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries, jointly-controlled entities and associates and the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in note 31(a) to the financial statements, but no material effect on the amounts of cash flows previously reported for prior periods.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Prior to the adoption of SSAP 34 during the year, as explained in note 3 to the financial statements, the Group did not accrue for paid annual leave carried forward at the balance sheet date. This change in accounting policy has not resulted in a prior year adjustment as it had no material effect on amounts previously reported in the prior year's financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits (Continued)

Pension schemes

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Schemes. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Schemes. The Group's employer contributions vest fully with the employees when contributed into the MPF Schemes, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Schemes.

Prior to the MPF Schemes becoming effective, the Group operated defined contribution retirement benefits schemes (the "ORSO Schemes") under the occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Schemes operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Schemes are eligible to participate in the MPF Schemes.

The assets of both types of scheme are held separately from those of the Group in independently administered funds.

Share option scheme

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on completion of the transaction;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;

(f) dividend income, when the shareholders' right to receive payment has been established;

(g) advertising service fees, in the period in which the advertisement is displayed, on the straight-line basis over the terms of the contract, provided that no significant Group obligations remain; and

(h) telecommunications revenue, when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognised on a straight-line basis over the respective periods. Other telecommunications revenue is recognised when products are delivered or services are rendered to customers.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations:

- the wireless communication business segment develops technologies, in both applications and enabling sectors, to enhance the transaction and delivery of data and information through wireless networks; and
- the communication solutions consultancy services segment is engaged in services as a digital solutions provider and a multimedia enabler;
- the Internet operations segment is engaged in services as a publishing and content management solutions provider, an on-line expert site and the provision of a vertical trading platform;
- the corporate and other segment includes general corporate income and expense items.

Discontinued operations (note 8):

- the sanitary fixtures and fittings segment consisted of importing, marketing, retailing and distributing sanitary fixtures and fittings;
- the hardware, industrial and consumer products segment consisted of importing, marketing, and distributing a large range of hardware, industrial and consumer products;
- the drainage, plumbing and engineering contracting services segment provides design and installation of plumbing and drainage systems and related engineering services;

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

	Sanitary fixtures and fittings (Discontinued)		Hardware, industrial and consumer products (Discontinued)		Drainage, plumbing and engineering contracting services (Discontinued)	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**38,860**	79,464	**20,258**	46,270	**9,152**	60,159
Intersegment sales	**26**	78	**—**	—	**—**	—
Other revenue	**714**	1,121	**369**	539	**—**	—
Total revenue	**39,600**	80,663	**20,627**	46,809	**9,152**	60,159
Segment results	**443**	(23,414)	**(926)**	(3,427)	**(1,907)**	(18,495)
Interest income and unallocated gains						
Provision for loan to Acme Landis Operations Holdings Limited						
Provision for loans to to an associate						
Provision for impairment of goodwill						
Loss on discontinued operations						
Loss from operating activities						
Finance costs						
Operating loss						
Share of profits and losses of:						
— Jointly-controlled entities	**—**	—	**—**	—	**—**	—
— An associate	**—**	—	**—**	—	**—**	—
Loss before tax						
Tax						
Loss before minority interests						
Minority interests						
Net loss from ordinary activities attributable to shareholders						
Segment assets	**—**	53,890	**—**	30,232	**—**	17,605
Interest in an associate	**—**	—	**—**	—	**—**	—
Interests in jointly-controlled entities	**—**	—	**—**	—	**—**	—
Unallocated assets						
Bank overdrafts included in segment assets	**—**	—	**—**	—	**—**	—
Total assets						
Segment liabilities	**—**	42,941	**—**	6,306	**—**	12,247
Unallocated liabilities						
Bank overdrafts included in segment assets	**—**	—	**—**	—	**—**	—
Total liabilities						
Other segment information:						
Capital expenditure	**809**	1,297	**95**	1,006	**—**	—
Depreciation	**819**	2,165	**244**	623	**4**	51
Deficits arising from revaluation of investment properties	**—**	—	**350**	1,020	**—**	—
Deficits arising from revaluation of leasehold land and buildings	**158**	2,024	**—**	—	**—**	—
Deficits on revaluation recognised directly in equity	**—**	—	**37**	242	**—**	—
Impairment loss of fixed assets	**—**	—	**—**	—	**—**	—
Diminution in value of an investment property	**—**	4,000	**—**	—	**—**	—
Provision/(overprovision) for bad debts	**(2,032)**	(384)	**143**	173	**—**	—
Stock provisions	**93**	6,188	**36**	132	**—**	—

Wireless communication business 2002 HK$'000	Wireless communication business 2001 HK$'000	Communication solutions consultancy services 2002 HK$'000	Communication solutions consultancy services 2001 HK$'000	Internet operations 2002 HK$'000	Internet operations 2001 HK$'000	Corporate and other 2002 HK$'000	Corporate and other 2001 HK$'000	Eliminations 2002 HK$'000	Eliminations 2001 HK$'000	Consolidated 2002 HK$'000	Consolidated 2001 HK$'000
953	—	**1,131**	10,275	**—**	1,966	**—**	—	**—**	—	**70,354**	198,134
—	—	**480**	4,690	**—**	8	**—**	—	**(506)**	(4,776)	**—**	—
—	—	**1**	691	**—**	15	**3**	297	**(313)**	(167)	**774**	2,496
953	—	**1,612**	15,656	**—**	1,989	**3**	297	**(819)**	(4,943)	**71,128**	200,630
(29,704)	(10,185)	**(4,122)**	(12,732)	**(598)**	(22,324)	**(32,077)**	(36,556)	**(180)**	(28)	**(69,071)**	(127,161)
										1,624	4,321
										(42,115)	—
										(14,216)	—
										(48,807)	—
										(4,615)	—
										(177,200)	(122,840)
										(37)	(458)
										(177,237)	(123,298)
(32)	(10)	**—**	—	**—**	—	**(33)**	(5)	**—**	—	**(65)**	(15)
—	—	**—**	—	**—**	—	**(13,991)**	4,014	**—**	—	**(13,991)**	4,014
										(191,293)	(119,299)
										309	570
										(190,984)	(118,729)
										(440)	269
										(191,424)	(118,460)
7,187	2,838	**9,707**	11,802	**7,980**	6,062	**128,109**	216,920	**(134,368)**	(197,227)	**18,615**	142,122
—	—	**—**	(16)	**—**	—	**—**	23,423	**—**	—	**—**	23,407
1,128	1,160	**—**	—	**—**	—	**125**	158	**—**	—	**1,253**	1,318
										—	277
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
										19,868	167,124
47,850	14,974	**44,402**	29,557	**38,326**	52,960	**4,919**	8,229	**(127,348)**	(132,098)	**8,149**	35,116
										—	4,326
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
										8,149	39,442
3,575	3,619	**107**	558	**20**	4,972	**158**	701	**(183)**	(1,244)	**4,581**	10,909
5,254	2	**613**	603	**512**	3,539	**1,719**	1,663	**—**	—	**9,165**	8,646
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**350**	1,020
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**158**	2,024
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**37**	242
785	—	**—**	—	**—**	5,681	**—**	—	**—**	—	**785**	5,681
—	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	4,000
39	—	**747**	3,252	**—**	—	**7,185**	750	**—**	—	**6,082**	3,791
315	—	**—**	708	**—**	—	**—**	—	**—**	—	**444**	7,028

5. SEGMENT INFORMATION *(Continued)*

(b) *Geographical segments*

The following table presents revenue, loss and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	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	**64,797**	174,939	**5,557**	23,195	**—**	—	**70,354**	198,134
Other segment information:								
Segment assets	**13,973**	171,787	**5,895**	16,633	**—**	(21,296)	**19,868**	167,124
Bank overdrafts included in segment assets	**—**	—	**—**	—	**—**	—	**—**	—
							19,868	167,124
Capital expenditure	**3,662**	7,009	**106**	3,900	**—**	—	**3,768**	10,909

6. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of services rendered and goods sold, after allowances for returns and trade discounts, and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of the Group's turnover, other revenue and gains, is as follows:

	2002	2001
	HK$'000	HK$'000
Turnover		
Continuing operations:		
Wireless Communication	**952**	—
Provision of communication solutions consultancy services	**1,132**	10,275
Internet operations	**—**	1,966
	2,084	12,241
Discontinued operations:		
Sales of sanitary fixtures and fittings	**38,860**	79,464
Sales of hardware, industrial and consumer products	**20,258**	46,270
Drainage, plumbing and engineering contracting services	**9,152**	60,159
	68,270	185,893
	70,354	198,134
Other revenue and gains		
Continuing operations:		
Interest income from related companies	**664**	—
Interest income on bank deposits	**247**	3,007
Others	**3**	935
	914	3,942
Discontinued operations:		
Rental income	**251**	1,319
Interest income on bank deposits	**50**	834
Interest income on overdue balances from customers	**663**	480
Others	**520**	242
	1,484	2,875
	2,398	6,817

7. LOSS FROM OPERATING ACTIVITIES

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

	Notes	2002 HK$'000	2001 HK$'000
Staff costs:*			
Wages and salaries		**37,410**	72,393
Staff accommodation expenses		**1,135**	576
Pension scheme contributions		**1,034**	2,692
Less: Forfeited contributions		**—**	(145)
Net pension contributions		**1,034**	2,547
		39,579	75,516
Cost of sales:			
Cost of inventories sold		**40,765**	82,078
Cost of services rendered		**11,007**	81,066
Stock provisions		**444**	7,028
		52,216	170,172
Auditors' remuneration		**1,000**	1,060
Amortisation of goodwill (included in other operating expenses)	17	**97**	—
Deficit arising from revaluation of leasehold land and buildings	15	**158**	2,024
Deficit arising from revaluation of investment properties	16	**350**	1,020
Depreciation	15	**9,165**	8,646
Diminution in value of an investment property	16	**—**	4,000
Impairment loss of fixed assets	15	**785**	5,681
Information technology business operating costs**		**34,584**	49,890
Loss on disposal of fixed assets		**410**	2,541
Minimum lease payments under operating leases in respect of land and buildings***		**6,831**	10,064
Provision for bad debts		**6,082**	3,791
Exchange losses/(gains), net		**48**	(296)
Gross and net rental income		**(251)**	(1,319)
Interest income		**(1,624)**	(4,321)

7. LOSS FROM OPERATING ACTIVITIES *(Continued)*

* Staff costs include directors' remuneration as set out in note 9 below. As at 31 December 2002, the Group had no forfeited pension scheme contributions available to offset future contributions (2001: Nil).

** Includes staff costs of HK$1,349,000 (2001: HK$14,264,000), depreciation of HK$6,333,000 (2001: HK$4,144,000), minimum lease payments under operating leases in respect of land and buildings of HK$1,146,000 (2001: HK$2,605,000), impairment loss of fixed assets of HK$785,000 (2001: HK$5,681,000) and loss on disposal of fixed assets of HK$340,000 (2001: HK$2,525,000) as disclosed above.

*** Operating lease rentals include rental expenses of a staff quarters and a director's quarters of HK$800,000 (2001: HK$576,000) which have also been included in staff accommodation expenses.

8. DISCONTINUED OPERATIONS

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

On 4 May 2002, Acme Sanitary Ware Company, Limited ("ASW") (an indirectly 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 year, upon which the Group's business of the provision of drainage, plumbing and engineering contracting services was 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 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.

8. DISCONTINUED OPERATIONS *(Continued)*

The turnover, other revenue and gains, expenses, loss before tax and net loss attributable to the discontinued operations for the year ended 31 December 2002 are as follows. Comparative information is included in accordance with SSAP 33 "Discontinuing operations".

	Sanitary fixtures and fittings		Hardware, industrial and consumer products		Drainage, plumbing and engineering contracting services		Elimination		Total	Total
	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
TURNOVER	**38,886**	79,542	**20,258**	46,270	**9,152**	60,159	**(26)**	(78)	**68,270**	185,893
Cost of sales	**(26,612)**	(56,207)	**(14,308)**	(32,267)	**(9,380)**	(71,849)	**26**	78	**(50,274)**	(160,245)
Gross profit	**12,274**	23,335	**5,950**	14,003	**(228)**	(11,690)			**17,996**	25,648
Other revenue and gains	**1,326**	6,252	**513**	1,085	**—**	176	**(355)**	(5,117)	**1,484**	2,396
Selling and distribution costs	**(4,353)**	(16,192)	**(1,622)**	(4,353)	**—**	—	**71**		**(5,904)**	(20,545)
Administrative expenses	**(9,623)**	(30,493)	**(5,117)**	(12,598)	**(1,679)**	(6,805)	**13**	4,020	**(16,406)**	(45,876)
Other operating income/ (expenses)	**1,659**	(16,141)	**(506)**	(971)	**—**	—			**1,153**	(17,112)
Gain/(loss) on disposal of a subsidiary	**(6,355)**	10,323	**—**	—	**—**	—			**(6,355)**	10,323
Loss from operating activities	**(5,072)**	(22,916)	**(782)**	(2,834)	**(1,907)**	(18,319)			**(8,032)**	(45,166)
Finance costs	**(171)**	(962)	**(9)**	—	**(127)**	(593)	**271**	1,097	**(36)**	(458)
Loss before tax	**(5,243)**	(23,878)	**(791)**	(2,834)	**(2,034)**	(18,912)			**(8,068)**	(45,624)
Tax	**(29)**	805	**(1)**	285	**—**	—			**(30)**	1,090
Loss before minority interests	**(5,272)**	(23,073)	**(792)**	(2,549)	**(2,034)**	(18,912)			**(8,098)**	(44,534)
Minority interests	**(443)**	(546)	**—**	—	**—**	—			**(443)**	(546)
Net loss for the year	**(5,715)**	(23,619)	**(792)**	(2,549)	**(2,034)**	(18,912)			**(8,541)**	(45,080)

8. DISCONTINUED OPERATIONS *(Continued)*

The carrying amounts of the total assets and liabilities of the discontinued operations at the balance sheet date were as follows:

	Sanitary fixtures and fittings		Hardware, industrial and consumer products		Drainage, plumbing and engineering contracting services		Elimination		Total	Total
	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
Total assets	**–**	62,556	**–**	39,399	**–**	17,918	**–**	(23,617)	**–**	96,256
Total liabilities	**–**	(118,026)	**–**	(6,306)	**–**	(25,248)	**–**	23,617	**–**	(125,963)
Minority interests	**–**	(907)	**–**	–	**–**	–	**–**	–	**–**	(907)
Net assets/(liabilities)	**–**	(56,377)	**–**	33,093	**–**	(7,330)	**–**	–	**–**	(30,614)

The net cash flows attributable to the discontinued operations for the year ended 31 December 2002 were as follows:

	Sanitary fixtures and fittings		Hardware, industrial and consumer products		Drainage, plumbing and engineering contracting services		Elimination		Total	Total
	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
Operating activities	**(1,414)**	(4,063)	**(871)**	(2,999)	**(3,049)**	77	**271**	1,097	**(5,063)**	(5,888)
Investing activities	**988**	10,872	**49**	(402)	**–**	(424)	**–**	–	**1,037**	10,046
Financing activities	**2,176**	(11,528)	**445**	–	**–**	–	**(271)**	(1,097)	**2,350**	(12,625)
Net cash inflow/(outflow)	**1,750**	(4,719)	**(377)**	(3,401)	**(3,049)**	(347)	**–**	–	**(1,676)**	(8,467)

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	2002	2001
	HK$'000	HK$'000
Fees paid to non-executive directors	**—**	—
Executive directors:		
Fees	**—**	12
Salaries, allowances and benefits in kind	**6,593**	7,711
Performance related bonuses	**—**	3,500
Pension scheme contributions	**64**	195
	6,657	11,418

The number of directors whose remuneration fell within the following bands is as follows:

	2002	2001
	Number of directors	Number of directors
Nil - HK$1,000,000	**8**	8
HK$2,000,001 - HK$2,500,000	**2**	—
HK$2,500,001 - HK$3,000,000	**—**	2
HK$5,000,001 - HK$5,500,000	**—**	1
	10	11

During the year, two directors waived part of their remuneration totalling HK$450,000 (2001: Nil).

During the year, no share options were granted to any of the directors of the Company in respect of their services to the Group. Further details of the share option scheme and the director's options remaining outstanding under the scheme at the balance sheet date are set out in note 29 to the financial statements.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two (2001: three) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three (2001: two) non-director, highest paid employees are set out below:

	2002	2001
	HK$'000	HK$'000
Basic salaries, housing, other allowances and benefits in kind	**4,773**	6,915
Pension scheme contributions	**35**	65
	4,808	6,980

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2002	2001
Nil - HK$1,000,000	**1**	—
HK$1,000,001 - HK$1,500,000	**1**	—
HK$2,000,000 - HK$2,500,000	**—**	—
HK$2,500,001 - HK$3,000,000	**1**	1
HK$4,000,001 - HK$4,500,000	**—**	1

During the year, no share options were granted to the non-director, highest paid employees in respect of their services to the Group. Further details of the share option scheme and the options remaining outstanding under the scheme at the balance sheet date are included in the disclosures in note 29 to the financial statements.

11. FINANCE COSTS

	Group	
	2002	2001
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within one year or on demand	**37**	458

12. TAX

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 year.

	Group	
	2002	2001
	HK$'000	HK$'000
Group:		
Provision for the year	**(189)**	(393)
Overprovision in prior years	**159**	1,484
	(30)	1,091
Share of tax attributable to an associate	**339**	(521)
Tax credit for the year	**309**	570

The principal components of the Group's net deferred tax asset not recognised in the financial statements are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Tax losses carried forward	**24,545**	25,983
Decelerated/(accelerated) capital allowances	**(1,432)**	414
	23,113	26,397

The revaluation of the Group's leasehold land and buildings and investment properties do not constitute timing differences. Accordingly, no deferred tax has been provided thereon.

13. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company was HK$159,231,000 (2001: HK$114,893,000).

14. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$191,424,000 (2001: HK$118,460,000) and the weighted average of 1,059,407,247 ordinary shares (2001: 1,001,798,855 ordinary shares) in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2002 and 2001 have not been shown as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

15. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:				
At beginning of year	15,400	31,110	3,747	50,257
Additions	—	4,476	—	4,476
Acquisition of subsidiaries (note 31(b))	—	105	—	105
Disposals	—	(759)	(292)	(1,051)
Disposal of subsidiaries (note 31(c))	(14,800)	(15,927)	(2,487)	(33,214)
Deficit on revaluation	(600)	—	—	(600)
At 31 December 2002	**—**	**19,005**	**968**	**19,973**
Accumulated depreciation and impairment:				
At beginning of year	—	18,077	2,152	20,229
Depreciation provided during the year	405	8,429	331	9,165
Impairment during the year recognised in the profit and loss account	—	785	—	785
Disposals	—	(342)	(292)	(634)
Disposal of subsidiaries (note 31(c))	—	(13,360)	(1,806)	(15,166)
Written back on revaluation	(405)	—	—	(405)
At 31 December 2002	**—**	**13,589**	**385**	**13,974**
Net book value:				
At 31 December 2002	**—**	**5,416**	**583**	**5,999**
At 31 December 2001	15,400	13,033	1,595	30,028

The Group's land and buildings were stated at valuation and were held by certain subsidiaries which were disposed of during the year. All other fixed assets are stated at cost. The Group's leasehold land and buildings were revalued at 31 May 2002 by Debenham Tie Leung, independent professionally qualified valuers, at HK$14,800,000 on an open market value, existing use basis, giving rise to a revaluation deficit of HK$195,000. HK$37,000 of this deficit was charged to the leasehold land and buildings revaluation reserve and the remaining balance of HK$158,000 has been charged to the profit and loss account for the year.

15. FIXED ASSETS *(Continued)*

All of the Group's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

At 31 December 2001, had the Group's land and buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amount would have been HK$15,400,000.

16. INVESTMENT PROPERTIES

	Group	
	2002	2001
	HK$'000	HK$'000
At beginning of year	**3,980**	20,000
Revaluation deficit charged to the profit and loss account	**(350)**	(1,020)
Diminution in value of an investment property	**—**	(4,000)
Disposal of a subsidiary (note 31(c))	**(3,630)**	(11,000)
At end of year	**—**	3,980

All of the Group's investment properties are situated in Hong Kong and are held under the following lease terms:

	Group	
	2002	2001
	HK$'000	HK$'000
Medium term leases	**—**	1,180
Long term leases	**—**	2,800
	—	3,980

The Group's investment properties were held by a subsidiary which was disposed of during the year. The Group's investment properties were revalued at 31 May 2002 on an open market value, existing use basis by Debenham Tie Leung, independent professionally qualified valuers, at HK$3,630,000. The investment properties were leased to third parties under operating leases, further summary details of which are included in note 33 to the financial statements.

In the prior year, an investment property was pledged to a bank to secure banking facilities.

16. INVESTMENT PROPERTIES *(Continued)*

Particulars of the Group's investment properties as at 31 December 2001 were as follows:

Location	Lease terms	Use	Gross floor area (sq. ft.)	Percentage of Group's interest
Units A & B 18th Floor Harbour Commercial Building 122-124 Connaught Road, Central Hong Kong	Long term	Commercial	1,598	100
Unit B2 1st Floor 14 Sze Shan Street Yau Tong Kowloon Hong Kong	Medium term	Industrial	4,785	100

17. GOODWILL

The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

Group

	Goodwill
	HK$'000
Cost:	
Acquisition of subsidiaries during the year and as at 31 December 2002 (note 31(b))	485
Accumulated amortisation:	
Amortisation provided during the year and as at 31 December 2002	97
Net book value:	
At 31 December 2002	388

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill in respect of acquisitions of subsidiaries which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK$'000	HK$'000
Unlisted shares, at cost	**304,200**	—
Due from subsidiaries	**3,329**	351,914
Due to subsidiaries	**(1,350)**	—
	306,179	351,914
Provision for impairment	**(305,393)**	(249,737)
	786	102,177

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued/ registered share capital	Class of shares held	Percentage of equity attributable to the Company 2002	2001	Principal activities
IT-related subsidiaries						
ask100.com (BVI) Limited	British Virgin Islands	US$2	Ordinary	**66.67***	66.67*	Investment holding
ask100.com (Hong Kong) Limited	Hong Kong	HK$2	Ordinary	**66.67***	66.67*	Provision of an on-line expert site
ask100.com Corporation	Cayman Islands	US$30,000	Ordinary	**66.67***	66.67*	Investment holding
Beijing Footnet100 Information Technology Company Limited#	Mainland China	HK$1,200,000	—	**60***	60*	Electronic trading platform for food industry
Castlebright Limited	Hong Kong	HK$2	Ordinary	**100***	100*	Provision of management services
Copplestone Limited	Cayman Islands	US$39,000,001	Ordinary	**100**	100	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Nominal value of issued/ registered share capital	Class of shares held	Percentage of equity attributable to the Company 2002	2001	Principal activities
IT-related subsidiaries *(Continued)*						
Foodnet100 Holdings Limited	Cayman Islands	US$15,750	Ordinary	**60***	60*	Investment holding
Golden Throne Holdings Limited	British Virgin Islands	US$1	Ordinary	**100***	100*	Investment holding
i100 Asiaweb Holdings Corporation	British Virgin Islands	US$1	Ordinary	**100***	100*	Investment holding
i100 OnAir Limited	British Virgin Islands	US$1	Ordinary	**100***	100*	Investment holding
i100 Technological Shenzhen Company Limited#	Mainland China	HK$1,000,000	—	**100***	100*	Development of computer hardware and software and provision of related technical advisory services
i100 Wireless Limited	British Virgin Islands	US$1.00	Ordinary	**100***	100*	Investment holding
i100 Wireless (Hong Kong) Limited	Hong Kong	HK$2.00	Ordinary	**100***	100*	Wireless data service provider
OnAir100 Limited	Hong Kong	HK$2.00	Ordinary	**100***	100*	Multimedia enabler
solution100 (Shanghai) Limited#	Mainland China	US$150,000	—	**100***	100*	Provision of network solutions services
solution100 Corporation	Cayman Islands	US$50,000	Ordinary	**100***	100*	Investment holding

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Nominal value of issued/ registered share capital	Class of shares held	Percentage of equity attributable to the Company 2002	2001	Principal activities
IT-related subsidiaries *(Continued)*						
solution100 Limited	Hong Kong	HK$10,000	Ordinary	**75***	100*	Digital solutions provider
Digital Empires Company Limited	Hong Kong	HK$100	Ordinary	**75***	—	Provision of computer system consultancy services
Photo 2U Company Limited	Hong Kong	HK$100	Ordinary	**75***	—	Provision of information technology consultancy services
Non IT-related subsidiaries						
Acme Landis Operations Holdings Limited	British Virgin Islands	US$1	Ordinary	**—**	100	Investment holding
Acme Sanitary Ware Company, Limited	Hong Kong	HK$10,000 HK$3,958,000	Ordinary Deferred	**—** **—**	100* 100*	Importing, marketing and distributing sanitary fixtures and fittings
Acme Sanitary Ware (Asia) Company, Limited	British Virgin Islands	US$1	Ordinary	**—**	100*	Selling and promoting sanitary fixtures and fittings, hardware, industrial and consumer products
Acme Sanitary Engineering Company Limited	Hong Kong	HK$1,000,000	Ordinary	**—**	100*	Designing and installing plumbing and drainage systems
Acme United Engineering Company Limited	Hong Kong	HK$1,000,000	Ordinary	**—**	100*	Designing and installing mechanical and electrical systems

18. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ operations	Nominal value of issued/ registered share capital	Class of shares held	Percentage of equity attributable to the Company 2002	2001	Principal activities
Non IT-related subsidiaries *(Continued)*						
Alpha Pacific International Limited	Hong Kong	HK$2	Ordinary	—	100*	Importing, marketing and distributing consumer products
Glory Top Building Materials Limited	Hong Kong	HK$100	Ordinary	—	52*	Selling and promoting sanitary fixtures and fittings
Landis Brothers & Company, Limited	Hong Kong	HK$10,000 HK$1,000,000	Ordinary Deferred	— —	100* 100*	Importing, marketing and distributing hardware, industrial and consumer products
Landis Brothers (Asia) Company, Limited	British Virgin Islands	US$1	Ordinary	—	100*	Importing, marketing and distributing industrial products
Marrick Corporation	British Virgin Islands	US$1	Ordinary	—	100*	Investment holding
Snowball Corporation	British Virgin Islands	US$1	Ordinary	—	100*	Investment holding
U'Land Sanitary Ware Company Limited	Hong Kong	HK$100	Ordinary	—	51*	Retailing sanitary fixtures and fittings

* Held through subsidiaries.

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets of jointly-controlled entities	**1,231**	1,296	**—**	—
Loan to a jointly-controlled entity	**22**	22	**—**	—
	1,253	1,318	**—**	—
Due to a jointly-controlled entity	**(1,234)**	—	**—**	—

The balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
iSTT100 Limited*	Corporate	Cayman Islands/ Singapore	45	45	45	Provision of financial, technical, operational, marketing and strategic support to Internet, media, and technology businesses
Vector Entertainment Corporation*	Corporate	British Virgin Islands	45	50	45	Entertainment business

* Neither of the above Companies are audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

All of the above investments in jointly-controlled entities are indirectly held by the Company.

20. INTEREST IN AN ASSOCIATE

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Share of net assets	**—**	13,584	**—**	—
Loans to an associate	**14,216**	9,823	**12,429**	8,919
Provision for loans to an associate	**(14,216)**	—	**(12,429)**	—
	—	9,823	**—**	8,919

In the prior year, the loans to the associate were unsecured, interest-bearing at 10% per annum and were repayable on or before 15 June 2002 or such later date as may be agreed between the two parties.

During the year, the Group has recognised an impairment of the goodwill on acquisition of an associate remaining eliminated against consolidated reserves amounting to HK$48,807,000 (2001: Nil). Further details are set out in note 30 to the financial statements.

Particulars of the associate are as follows:

Name	**Business structure**	**Place of incorporation/ and operations**	**Percentage of equity attributable to the Group**		**Principal activity**
			2002	2001	
AsiaWeb ASP Limited*	Corporate	Hong Kong	**49**	49	Investment holding

* The above company is not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The Group's voting power held and profit sharing ratio in relation to the associate is 49%.

21. LONG TERM INVESTMENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Investment securities:				
Unlisted equity investments, at cost	**3,900**	6,048	**—**	—
Provision for impairment	**—**	(350)	**—**	—
	3,900	5,698	**—**	—
Other investments:				
Listed equity investments in Hong Kong, at market value	**—**	1	**—**	—
	3,900	5,699	**—**	—

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

	Group and Company	
	2002	2001
	HK$'000	HK$'000
Loan to ALOH	**45,815**	—
Provision for loan to ALOH	**(42,115)**	—
	3,700	—

The loan to ALOH is secured by a pledge given by the purchaser of ALOH in respect of 76 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 the net proceeds of disposal of the secured shares, or upon the disposal of the last remaining share, any principal outstanding will be reduced to zero.

23. CONSTRUCTION CONTRACTS

	Group	
	2002	2001
	HK$'000	HK$'000
Gross amount due from contract customers	**—**	13,825
Gross amount due to contract customers included in accounts payable, other payables and accruals	**—**	(3,059)
	—	10,766
Contract costs incurred plus recognised profits less recognised losses to date	**—**	674,745
Less: Progress billings	**—**	(663,979)
	—	10,766

At 31 December 2001, no retention monies were held by customers for contract works and no advances had been received from customers for contract works.

24. ACCOUNTS RECEIVABLE

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current	**85**	8,641
1 to 3 months	**133**	12,926
Over 3 months	**40**	18,216
	258	39,783
Bad debt provision	**(39)**	(15,744)
	219	24,039

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**1,822**	6,113	**698**	478
Time deposits	**—**	25,529	**—**	23,051
Pledged time deposits for banking facilities granted but not utilised	**—**	1,120	**—**	—
Cash and cash equivalents	**1,822**	32,762	**698**	23,529

26. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accounts and bills payables	**693**	16,482	**—**	—
Other payables and accruals	**6,097**	13,819	**1,235**	99
Due to contract customers (note 23)	**—**	3,059	**—**	—
Deferred income	**115**	—	**—**	—
Customer deposits	**10**	1,756	**—**	—
	6,915	35,116	**1,235**	99

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current	**4**	6,371
1 to 3 months	**—**	4,956
Over 3 months	**689**	5,155
	693	16,482

27. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	HK$'000	HK$'000
Bank loans repayable within one year – secured	**—**	4,326

At 31 December 2001, the Group's bank loans were secured by mortgages over certain of the Group's leasehold land and buildings, which had an aggregate net book value at that date of approximately HK$15,400,000.

In addition, at 31 December 2001, the Group was granted banking facilities, which had not been utilised at that date, secured by the pledge of the Group's time deposits of HK$1,120,000 (note 25).

28. SHARE CAPITAL

Shares

	2002	2001
	HK$'000	HK$'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

28. SHARE CAPITAL *(Continued)*

A summary of the movements of the Company's ordinary share capital during the year is as follows:

	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2001	1,001,000,000	100,100	237,182	337,282
Shares issued for the acquisition of a business	873,000	87	367	454
At 31 December 2001 and at 1 January 2002	1,001,873,000	100,187	237,549	337,736
Shares issued during the year	100,000,000	10,000	20,000	30,000
	1,101,873,000	110,187	257,549	367,736
Share issue expenses	—	—	(2,519)	(2,519)
At 31 December 2002	**1,101,873,000**	**110,187**	**255,030**	**365,217**

During the year, the movements in share capital were as follows:

(a) 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$0.30 per share (the "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.

(b) 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 in the development of the wireless data service business and as general working capital of the Group. All shares issued rank pari passu with the existing shares in issue in all respects.

29. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, these detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

On 21 August 1991, the Company approved a share option scheme (the "1991 Share Option Scheme") which was terminated by an ordinary resolution of the shareholders at the annual general meeting on 22 May 2001. The subsisting options granted under the 1991 Share Option Scheme prior to its termination remain valid and exercisable in accordance with the terms of the 1991 Share Option Scheme.

On 22 May 2001, the Company approved a share option scheme (the "2001 Share Option Scheme") which was terminated by an ordinary resolution of the shareholders at the annual general meeting on 6 June 2002 but the subsisting options granted thereunder prior to the termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme. On the same date, solution100 Corporation, being a wholly-owned subsidiary of the Company, adopted a share option scheme under which options to subscribe for shares in the share capital of solution100 Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the share option scheme of solution100 Corporation since its adoption.

On 6 June 2002, a new share option scheme (the "2002 Share Option Scheme") was approved by the shareholders of the Company pursuant to the new requirements of Chapter 17 of the Listing Rules. Under the terms of the 2002 Share Option Scheme, the board of directors (the "Board") may, at their discretion, grant options to any employee (full-time and part-time), director, supplier, consultant or advisor of any member of the Group to subscribe for shares in the Company subject to the terms and conditions stipulated therein. No share options have been granted under 2002 Share Option Scheme since its adoption.

On the same date, i100 Wireless Corporation, being a wholly-owned subsidiary of the Company, adopted a share option scheme (the "i100 Wireless Share Option Scheme") pursuant to the new requirements of Chapter 17 of the Listing Rules and under which options to subscribe for shares in the share capital of i100 Wireless Corporation may be granted to the qualifying persons from time to time subject to the terms and conditions stipulated therein. No share options have been granted under the i100 Wireless Share Option Scheme since its adoption.

Details of the 2002 Share Option Scheme (the "Scheme") are as follows:

(i) Purposes of the Scheme

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

29. SHARE OPTION SCHEME *(Continued)*

(ii) Participants of the Scheme

The Board may, at its absolute discretion, offer any employee (full-time and part-time), director, supplier, consultant or advisor of any member of the Group to take up options to subscribe for the Company's shares.

No share options were issued to any of the directors, chief executive and substantial shareholders or their associates during the year.

(iii) Maximum number of shares available for issue under the Scheme

The maximum number of shares subject to the Scheme must not (when aggregate with any shares subject to any other share option scheme of the Company including 1991 Share Option Scheme and 2001 Share Option Scheme) exceed 10% of the shares in issue from time to time, excluding for this purpose shares allotted and issued upon the exercise of options granted under the 1991 Share Option Scheme and the 2001 Share Option Scheme. The total number of shares available for issue under the Scheme as at the date of the annual report is 82,939,300, representing approximately 7.5% of the issued share capital of the Company as of that date.

(iv) Maximum number of options to each participant

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

(v) Exercise period

The exercise period of the share options granted is determinable by the Board, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the option.

(vi) Amount payable on acceptance

The offer of a grant of share options may be accepted within 14 days from the date of the offer, upon payment of a nominal consideration of HK$1.00 in total by the grantee.

(vii) Basis of determining the exercise price

The exercise price in respect of any particular option of the Scheme may be determined by the board in its absolute discretion and notified to each offeree but may not be less than the higher of (i) the closing price of the Company's shares on the date of grant, which must be a business day, and (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant in accordance with the new rule 17.03 of the Listing Rules.

(viii) Remaining life of the Scheme

The Scheme is valid during the period of 10 years commencing 6 June 2002, unless otherwise cancelled or amended.

29. SHARE OPTION SCHEME *(Continued)*

The following share options granted to the continuous contract employees of the Group were outstanding under the Scheme during the year:

Date of options granted	Outstanding options as at 1 January 2002	Granted during the year	Lapsed during the year	Outstanding options as at 31 December 2002	Exercise Period[2]	Exercise price of share options[3]	Share price at grant date of options[4]
						HK$	HK$
2 Aug 2000[1]	3,475,000	—	1,400,000	2,075,000	2 Aug 2001 to 1 Aug 2010	0.75	0.80
6 Oct 2000[1]	1,540,000	—	1,250,000	290,000	6 Oct 2001 to 5 Oct 2010	0.47	0.56
26 Mar 2001[1]	6,875,000	—	3,100,000	3,775,000	26 Mar 2002 to 25 Mar 2011	0.385	0.39
31 Aug 2001[1]	38,736,000	—	6,668,000	32,068,000	31 Aug 2002 to 30 Aug 2011	0.4032	0.50
	50,626,000	—	12,418,000	38,208,000			

Notes:

(1) The vesting period is the period of three years after the date of grant. One-third of the share options become exercisable after 12 months from the date of grant, and after the subsequent 18 months, 24 months, 30 months and 36 months from the date of grant, further one-sixth of the options become exercisable.

(2) The exercise period commenced on the first anniversary of the date of grant and ends 10 years after the grant date. No share options were exercised or cancelled during the year.

(3) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(4) The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

As at 31 December 2002, the Company had 38,208,000 outstanding share options. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 38,208,000 additional ordinary shares of HK$0.10 each and cash proceeds to the Company of approximately HK$16,075,743 before the related share issue expenses.

30. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the financial statements.

In the prior year, the balance of the investment property revaluation reserve, as set out in the statement of changes in equity on page 24 to the financial statements, was transferred from the leasehold land and building revaluation reserve upon the reclassification of the related properties. This balance was frozen and was not available to offset the current and future years' revaluation deficits on investment properties. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

As detailed in note 4 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves.

The amounts of goodwill and negative goodwill remaining in consolidated reserves as at 31 December 2002, arising from the acquisition of subsidiaries and an associate, are as follows:

	Group	
	Goodwill included in goodwill reserve	**Negative goodwill included in goodwill reserve**
	HK$'000	HK$'000
Cost:		
At 1 January 2002	(48,807)	27
Disposal of subsidiaries	—	(27)
At 31 December 2002	**(48,807)**	**—**
Accumulated impairment:		
At 1 January 2002	—	—
Impairment provided during the year	48,807	—
At 31 December 2002	**48,807**	**—**
Net amount:		
At 31 December 2002	**—**	**—**
At 31 December 2001	(48,807)	27

30. RESERVES *(Continued)*

(b) *Company*

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001		237,182	46,962	(134,033)	150,111
Issue of shares	28	367	—	—	367
Net loss attributable to shareholders		—	—	(114,893)	(114,893)
At 31 December 2001 and 1 January 2002		237,549	46,962	(248,926)	35,585
Issue of shares	28	20,000	—	—	20,000
Share issue expenses	28	(2,519)	—	—	(2,519)
Net loss attributable to shareholders		—	—	(159,231)	(159,231)
At 31 December 2002		**255,030**	**46,962**	**(408,157)**	**(106,165)**

The contributed surplus of the Company arose from the Group reorganisation in August 1991 and originally represented the excess of the fair value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) *Prior year adjustments*

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received is now included in cash flows from investing activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) *Prior year adjustments (Continued)*

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading “Foreign currencies” in note 4 to the financial statements. Cash flows of overseas subsidiaries are now translated to Hong Kong dollars at the exchanges rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated to Hong Kong dollars at the exchanges rates at the balance sheet date. This change in accounting policy has had no material effect on the amounts previously reported in the prior year’s cash flow statement.

(b) *Acquisition of subsidiaries/a business*

	Notes	**2002** **HK$’000**	2001 HK$’000
Net assets acquired:			
Fixed assets	15	**105**	118
Inventories		**52**	—
Accounts receivable		**421**	1,900
Prepayments, deposits and other receivables		**15**	—
Cash and bank balances		**97**	25
Accounts payable and accruals		**(672)**	(934)
		18	1,109
Goodwill on acquisition	17	**485**	—
Negative goodwill on acquisition		**—**	(655)
		503	454

In the current year, the consideration of HK$502,500 for the acquisition of subsidiaries was satisfied by cash of HK$500,000 and the issuance of 2,500 ordinary shares at par value of HK$1 each of solution100 Limited, a wholly-owned subsidiary. HK$200,000 of the cash consideration of HK$500,000 was paid upon completion of the acquisition and the remaining HK$300,000 is to be paid by two equal instalments six months and nine months after the acquisition date.

In the prior year, the consideration of HK$454,000 for the acquisition of a business was satisfied by the issuance of 873,000 ordinary shares of the Company, had no cash flow impact on the Group.

Negative goodwill of HK$655,000 arising on the acquisition of a business in the prior year was recognised as income in the consolidated profit and loss account during that year.

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Acquisition of subsidiaries/a business (Continued)

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries/a business:

	2002 **HK$'000**	2001 HK$'000
Cash consideration	**(200)**	—
Cash and bank balances acquired	**97**	25
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries/a business	**(103)**	25

The subsidiaries acquired during the year made no significant contribution to the Group in respect of turnover and contribution to the consolidated loss after tax and before minority interests for the year.

(c) Disposal of subsidiaries

	Notes	**2002** **HK$'000**	2001 HK$'000
Net assets disposed of:			
Fixed assets	15	**18,048**	—
Investment properties	16	**3,630**	11,000
Long term investment		**1,799**	—
Inventories		**20,736**	—
Construction contracts		**13,919**	—
Accounts receivable		**29,716**	—
Cash and bank balances		**4,894**	13
Prepayments, deposits and other receivables		**5,437**	219
Tax recoverable		**323**	—
Loan from i100 Limited		**(53,000)**	—
Accounts payable and accruals		**(27,226)**	(10)
Due to contract customers		**(2,418)**	—
Customer deposits		**(1,716)**	(296)
Tax payable		**—**	(2)
Interest-bearing bank loans and overdrafts		**(8,150)**	—
Minority interests		**(1,350)**	—
		4,642	10,924
Release of goodwill		**(27)**	—
Gain/(loss) on disposal of subsidiaries		**(4,615)**	76
		—	11,000
Satisfied by:			
Cash		**—**	11,000

31. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Disposal of subsidiaries (Continued)

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002	2001
	HK$'000	HK$'000
Cash consideration	**—**	11,000
Cash and cash equivalents disposed of	**(4,894)**	(13)
Net inflow/ (outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	**(4,894)**	10,987

During the year, the total cash consideration received for the disposal of subsidiaries was HK$3 (2001: HK$11,000,000).

The results of the subsidiaries disposed of during the year are set out in note 8 to the financial statements.

The subsidiary disposed of in the prior year made no significant contribution to the Group in respect of turnover and contribution to the consolidated loss after tax and before minority interests for that year.

(d) Major non-cash transactions

The deficit arising from the revaluation of the Group's leasehold land and buildings of HK$158,000 (2001: HK$2,024,000) and the deficit arising from the revaluation of the Group's investment properties of HK$350,000 (2001: HK$1,020,000) had no cash flow impact on the Group.

The profit and loss account includes a provision for bad debts of HK$6,082,000 (2001: HK$3,791,000), a provision for loans to an associate of HK$14,216,000 (2001: Nil) and impairment of goodwill of HK$48,807,000 (2001: Nil). These items had no cash flow impact on the Group.

In the prior year, the Group acquired all of the assets (including cash and bank balances of HK$25,000 and accounts receivable of HK$1,900,000) and liabilities (including accounts payable of HK$934,000) of Shanghai Cyberway for a consideration of HK$454,000 which was satisfied by the issuance of 873,000 ordinary shares of the Company at a price of HK$0.52 per share, which had no cash flow impact on the Group.

32. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank guarantees given to secure general banking facilities granted to the ALOH Group	**87,100**	—	**87,100**	87,100

The ALOH Group was disposed of by the Company during the year and the above bank guarantees given by the Company were subsequently released in January 2003.

33. OPERATING LEASE ARRANGEMENTS

(a) *As lessor*

In the prior year, a subsidiary of the Group leased its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms of two years. This subsidiary was disposed of during the year.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**—**	558
In the second to fifth years, inclusive	**—**	406
	—	964

(b) *As lessee*

The Group leases certain of its office and warehouse properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to three years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**911**	7,930
In the second to fifth years, inclusive	**—**	3,567
	911	11,497

34. CAPITAL COMMITMENTS

	Group		Company	
	2002	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'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 Company and the Group had no other significant commitments at the balance sheet date.

35. RELATED PARTY TRANSACTIONS

During the year, certain Group companies had the following transactions with related companies:

		Group	
		2002	2001
	Notes	**HK$'000**	HK$'000
Office rental expenses paid to Avon Limited	(i), (iii)	**1,282**	2,690
Warehouse rental expenses paid to:	(ii), (iii)		
Come Trend Limited		**200**	540
Chung Yuen Electrical Company Limited		**200**	480
Warehouse rental income received from Chung Yuen Electrical Company Limited	(ii), (iii)	**100**	240
Purchase of an upgraded web content management system from Asiaweb Technologies Limited	(iv)	**—**	1,807

35. RELATED PARTY TRANSACTIONS *(Continued)*

(i) The office expenses were calculated by the directors by reference to open market rentals, prevailing at the times when the tenancy agreements were entered into, as confirmed to the Group by a firm of independent professional valuers.

Details of the office rental expenses paid to Avon Limited during the period from 1 January 2002 to the date of disposal of ALOH and ASE are as follows:

Group company	Location of Premises	Lease terms	HK$'000
Acme Sanitary Ware Company, Limited	Part of basement & 1/F., Acme Building	1 January 2002 to 31 December 2003	277
Acme Sanitary Ware Company, Limited	G/F., Acme Building	1 April 2000 to 31 March 2003	636
Acme Sanitary Ware Company, Limited	12/F., Acme Building	1 January 2002 to 31 December 2003	171
Acme Sanitary Engineering Company, Limited	Part of basement, Acme Building	1 January 2002 to 31 December 2003	75
Landis Brothers & Company, Limited	6/F., Acme Building	1 October 2001 to 30 September 2003	123
			1,282

(ii) The warehouse rental income and expense were determined by the directors by reference to open market rentals prevailing at the times when the tenancy agreements were entered into.

(iii) Chiu Chung Kwong, John has a minority equity interest in Come Trend Limited. Chiu Chung Kwong, John and Chiu Chun Leong, David are beneficiaries under various discretionary trusts which have minority equity interests in Avon Limited. Chiu Chung Kwong, John and Chiu Chun Leong, David have indirect beneficial interests in Chung Yuen Electrical Company Limited.

In the opinion of the directors, all of the above transactions were carried out in the ordinary course of the Group's business.

(iv) AsiaWeb Technologies Limited was a wholly-owned subsidiary of AsiaWeb ASP Limited, an associate of the Group. The purchases were carried out at prices and terms comparable with those charged by independent third-party suppliers of the Group.

In addition to the related party transactions as set out above, in the prior year, HK$1 million was deposited with a bank as security for a banking facility of HK$1 million granted to Asiaweb Technologies Limited. The security over the HK$1 million deposit was released by the bank on 20 August 2001.

36. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events occurred:

(a) On 24 January 2003, a sale and purchase agreement was entered into between Asia Pacific Growth Fund III, L.P., i100 Capital Corporation and i100 Holdings Corporation (collectively, the "Vendors"), Landmark Profits Limited ("Landmark Profits"), a wholly-owned subsidiary of Easyknit International Holdings Limited ("Easyknit"), Easyknit, and Mr. Cheuk Ho Yeung, Gerald, Mr. Kan Siu Kei, Laurie and Mr. Vong Tat Ieong, David, directors of the Company (collectively, the "Vendor Guarantors"), pursuant to which Landmark Profits agreed to purchase and the Vendors agreed to sell 609,000,000 shares (the "Sale Shares") in the capital of the Company for an aggregate consideration of HK$6.09 million (equivalent to HK$0.01 per share) (the "Sale and Purchase Agreement"). The Sale Shares represented 55.27% of the entire issued share capital of the Company as at the date of the joint announcement in respect thereof dated 6 February, 2003. The completion of the Sale and Purchase Agreement in accordance with its terms took place on 28 January 2003 (the "Completion") and the Company became a subsidiary of Easyknit.

Upon Completion, Easyknit procured the grant of a loan facility of HK$30.27 million through its wholly-owned subsidiary, Planetic International Limited, to the Company for the sole purpose of subscribing for shares in Copplestone Limited, a wholly-owned subsidiary of the Company, for its use as working capital for the Group. The entire amount of HK$30.27 million was released to the Company on 20 February 2003.

Upon Completion, Landmark Profits was required under Rule 26.1 of the Hong Kong Code on Takeovers and Mergers to make a mandatory unconditional cash offer for all the issued shares in the share capital of the Company and all outstanding options granted by the Company to eligible participants to subscribe for the Company's shares (other than those shares in the Company already owned and/or agreed to be acquired by Landmark Profits or parties acting in concert with it) (the "Offers"). An offer document containing, inter alia, details of the Offers together with the form of acceptance and transfer and the form of renunciation and acceptance was despatched on 27 February 2003 to the shareholders and optionholders of the Company. On 31 March 2003, a document containing, among other things, (i) information on the Company; (ii) a letter from the board of directors of the Company; (iii) a letter from the independent director; and (iv) a letter from the joint independent financial advisers to the independent director in respect of the terms of the Offers, was despatched to the shareholders and optionholders of the Company. On 14 April 2003, being the closing date of the Offers, Landmark Profits had received valid acceptances in respect of 369,460 issued shares representing approximately 0.03% of the issued shares of the Company and no acceptance had been received from the optionholders. Further details of the Offers are set out in a circular of Easyknit dated 27 February 2003 and a circular of the Company dated 31 March 2003, and in joint announcements issued by Easyknit and the Company dated 6 February 2003, 26 February 2003, 12 March 2003 and 28 March 2003. As at the date of this annual report, Landmark Profits and parties acting in concert with it were interested in an aggregate of 609,369,460 shares, representing 55.3% of the total issued share capital of the Company.

36. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 8 January 2003, the directors of the Company resolved to put forward proposals to the shareholders including:

(i) a proposed capital reorganisation of the Company involving a reduction in the par value of each of the issued shares from HK$0.10 to HK$0.01, a subdivision of each of the authorised but unissued shares of HK$0.10 each in the capital of the Company into 10 new shares of HK$0.01 each, and the cancellation of the entire amount standing to the credit of the share premium account, which amounting to approximately HK$255,030,000 of the Company (the "Capital Reorganisation") and;

(ii) proposed amendments to the Bye-laws of the Company.

The Capital Reorganisation and the proposed amendments to the Bye-laws of the Company were approved by the shareholders at a special general meeting of the Company on 7 February 2003 and the Capital Reorganisation became effective on 10 February 2003.

(c) The Group was involved in an outstanding litigation. On 5 February 2003 and 22 February 2003, a writ of summons and an amended writ of summons were issued, respectively, against i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of the Company, by Right Choice Development Limited (a landlord of the premises as stated below) claiming a total sum of HK$596,860 being the alleged arrears of rental, management fees and rates plus any anticipated subsequent arrears of rental, management fees and rates until the date of delivery of vacant possession in relation to an alleged breach of a tenancy agreement for the premises known as Shop Nos. 7 and 8 on Ground Floor and the whole First Floor of Hang Lung Mansion, Nos. 578 - 580 Nathan Road, Nos. 44-46 Dundas Street, Kowloon, Hong Kong. An acknowledgement of service was filed in respect of the claim. On 17 March 2003, vacant possession of the premises was duly delivered to the landlord. The Group has issued a defence. On the basis that the directors consider that the Group has valid defences against the claims and therefore, no provision has been made in the financial statements.

37. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 April 2003.