

INTERIM RESULTS

The Board of Directors (the "Board") of i100 Limited (the "Company") is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2003, together with comparative figures for the corresponding period in 2002 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2003

	NOTES	Six months ended 30 June	
		2003	2002
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover	3	4,225	68,842
Cost of sales and services		(2,843)	(50,745)
		<hr/>	<hr/>
Gross profit		1,382	18,097
Other operating income	4	414	2,296
Distribution costs		(5,949)	(6,012)
Administrative expenses		(13,976)	(27,996)
Other operating expenses		(571)	(11,921)
Impairment loss recognised in respect of long term investments		(3,900)	—
Allowance for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		(2,180)	—
Allowance for doubtful debts		(1,147)	—
Allowance for amount due from an associate		(300)	—
Impairment loss recognised in respect of goodwill of an associate		—	(48,807)
Allowance for loans to an associate		—	(13,703)
Loss on discontinuing operations		—	(4,616)
		<hr/>	<hr/>
Loss from operations	5	(26,227)	(92,662)
Finance costs	6	(715)	(50)
Share of results of an associate		—	(13,882)
Share of results of jointly controlled entities		(75)	(61)
		<hr/>	<hr/>
Loss before taxation		(27,017)	(106,655)
Taxation	7	—	310
		<hr/>	<hr/>
Loss before minority interests		(27,017)	(106,345)
Minority interests		—	(443)
		<hr/>	<hr/>
Net loss for the period		(27,017)	(106,788)
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Basic loss per share	8	HK\$(0.98)	HK\$(4.20)
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**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2003**

	NOTES	30 June 2003 HK\$'000 (Unaudited)	31 December 2002 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	12,540	5,999
Goodwill		—	388
Interests in jointly controlled entities		1,188	1,253
Long term investments		—	3,900
Loan to Acme Landis Operations Holdings Limited	11	1,520	3,700
		<u>15,248</u>	<u>15,240</u>
Current assets			
Inventories		281	137
Other investments	12	900	—
Trade and other receivables	13	1,640	2,669
Bank balances and cash		12,263	1,822
		<u>15,084</u>	<u>4,628</u>
Current liabilities			
Amount due to a jointly controlled entity		1,234	1,234
Trade and other payables	14	9,527	6,915
Amounts due to ultimate holding company and a fellow subsidiary		599	—
Loan from a fellow subsidiary	15	30,270	—
Other loan, secured	16	4,000	—
		<u>45,630</u>	<u>8,149</u>
Net current liabilities		<u>(30,546)</u>	<u>(3,521)</u>
		<u>(15,298)</u>	<u>11,719</u>
Capital and reserves			
Share capital	17	11,019	110,187
Reserves		(26,317)	(98,468)
		<u>(15,298)</u>	<u>11,719</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Share capital	Share premium	Contributed surplus	Leasehold land and buildings revaluation reserve	Investment property revaluation reserve	Goodwill reserve	Exchange reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	100,187	237,549	—	2,634	7,324	(48,780)	(80)	(171,981)	126,853
Issue of shares	10,000	20,000	—	—	—	—	—	—	30,000
Share issue expenses	—	(2,519)	—	—	—	—	—	—	(2,519)
Share of exchange reserve of an associate	—	—	—	—	—	—	66	—	66
Revaluation deficit	—	—	—	(37)	—	—	—	—	(37)
Realised on disposal of subsidiaries	—	—	—	(2,597)	(7,324)	(27)	—	9,921	(27)
Net gains and losses not recognised in the condensed consolidated income statement	—	—	—	(2,634)	(7,324)	(27)	66	9,921	2
Impairment in respect of goodwill of an associate	—	—	—	—	—	48,807	—	—	48,807
Net loss for the year	—	—	—	—	—	—	—	(191,424)	(191,424)
At 31 December 2002	110,187	255,030	—	—	—	—	(14)	(353,484)	11,719
Reduction of share capital and share premium upon capital reorganisation (see note 17)	(99,168)	(255,030)	354,198	—	—	—	—	—	—
Elimination of accumulated losses	—	—	(353,484)	—	—	—	—	353,484	—
Net loss for the period	—	—	—	—	—	—	—	(27,017)	(27,017)
At 30 June 2003	11,019	—	714	—	—	—	(14)	(27,017)	(15,298)
At 1 January 2002	100,187	237,549	—	2,634	7,324	(48,780)	(80)	(171,981)	126,853
Issue of shares	10,000	20,000	—	—	—	—	—	—	30,000
Share issue expenses	—	(2,519)	—	—	—	—	—	—	(2,519)
Share of exchange reserve of an associate	—	—	—	—	—	—	(44)	—	(44)
Revaluation deficit	—	—	—	(37)	—	—	—	—	(37)
Realised on disposal of subsidiaries	—	—	—	(2,597)	(7,324)	(27)	—	9,921	(27)
Net gains and losses not recognised in the condensed consolidated income statement	—	—	—	(2,634)	(7,324)	(27)	(44)	9,921	(108)
Impairment in respect of goodwill of an associate	—	—	—	—	—	48,807	—	—	48,807
Net loss for the period	—	—	—	—	—	—	—	(106,788)	(106,788)
At 30 June 2002	110,187	255,030	—	—	—	—	(124)	(268,848)	96,245

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	Six months ended 30 June	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash used in operating activities	(19,058)	(23,871)
Net cash used in investing activities	(4,771)	(3,533)
Net cash from financing activities	34,270	28,897
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Net increase in cash and cash equivalents	10,441	1,493
Cash and cash equivalents at beginning of the period	1,822	30,436
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Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>12,263</u>	<u>31,929</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2003

1. GENERAL AND BASIS OF PREPARATION

- (a) On 24 January 2003, a sale and purchase agreement was entered into between Asia Pacific Growth Fund III, L.P., i100 Capital Corporation, i100 Holdings Corporation, Landmark Profits Limited (a wholly-owned subsidiary of Easyknit International Holdings Limited ("Easyknit")) and Easyknit, pursuant to which Landmark Profits Limited agreed to purchase 609,000,000 shares of the Company. The completion of the above agreement took place on 28 January 2003 and the Company became a subsidiary of Easyknit. Easyknit is a company incorporated in Bermuda, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Singapore Exchange Securities Trading Limited. Details of the above are set out, inter alia, in the announcement of the Company dated 6 February 2003.
- (b) The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants ("HKSA").
- (c) In preparing the condensed financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities and net liabilities of HK\$30,546,000 and HK\$15,298,000 respectively as at 30 June 2003. The Group is currently dependent upon the financial support from a wholly-owned subsidiary of Easyknit. In August 2003, the Group announced to raise funds by way of a rights issue of not less than 13,773,412 rights shares at a price of HK\$1.00 per rights share. The net proceeds of the rights issue of approximately HK\$13.3 million had been received on 23 September 2003 and the Group plans to use such proceeds for general working capital purposes. Against this background, the directors consider that, with the continuing financial support from a wholly-owned subsidiary of Easyknit and the net proceeds from the rights issue, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for revaluation of certain leasehold land and buildings and investments in securities.

The principal accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2002 except as described below.

In the current period, the Group has adopted SSAP No. 12 (Revised) "Income Taxes" ("SSAP 12 (Revised)"), for the first time, issued by the HKSA. SSAP 12 (Revised) has introduced a new basis of accounting for income taxes. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. The adoption of the above standard has no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SEGMENT INFORMATION

The Group's primary format for reporting segment information is business segments. An analysis of the Group's turnover and result by business segments are as follows:

	Turnover			Loss from operations		Total
	External	Inter-segment	Consolidated	Segment result	Unallocated corporate expenses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2003						
Wireless communication business	3,802	—	3,802	(11,479)		
Communication solutions consultancy services	423	—	423	(2,244)		
Internet operations	—	—	—	(272)		
Others	—	—	—	(11,996)		
	<u>4,225</u>	<u>—</u>	<u>4,225</u>	<u>(25,991)</u>	<u>(236)</u>	<u>(26,227)</u>
For the six months ended 30 June 2002						
Discontinuing operations:						
Sanitary fixtures and fittings	38,860	26	38,886	443		
Hardware, industrial and consumer products	20,258	—	20,258	(926)		
Drainage, plumbing and engineering contracting services	9,152	—	9,152	(1,907)		
Continuing operations:						
Wireless communication business	—	—	—	(9,931)		
Communication solutions consultancy services	572	437	1,009	(1,995)		
Internet operations	—	—	—	(312)		
Others	—	—	—	(11,997)		
	<u>68,842</u>	<u>463</u>	<u>69,305</u>	<u>(26,625)</u>		
Eliminations	<u>—</u>	<u>(463)</u>	<u>(463)</u>	<u>(436)</u>		
	<u>68,842</u>	<u>—</u>	<u>68,842</u>	<u>(27,061)</u>	<u>(65,601)</u>	<u>(92,662)</u>

Inter-segment sales are charged at prevailing market prices.

4. OTHER OPERATING INCOME

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Unrealised gain on other investments	212	—
Interest income	64	1,525
Rental income	—	251
Others	138	520
	<u>414</u>	<u>2,296</u>

5. LOSS FROM OPERATIONS

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Loss from operations has been arrived at after charging (crediting):		
Deficit arising from revaluation of leasehold land and buildings	—	158
Deficit arising from revaluation of investment properties	—	350
Depreciation	2,838	4,906
Impairment loss in respect of goodwill, included in other operating expenses	388	—
Loss on disposal of property, plant and equipment	206	129
Write back of allowance for doubtful debts	—	(1,278)
Allowance for inventories (included in cost of sales and services)	—	129
	<u>—</u>	<u>129</u>

6. FINANCE COSTS

The amount represents interest on bank and other borrowings wholly repayable within five years.

7. TAXATION

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
The amount comprises:		
Taxation attributable to the Company and its subsidiaries		
Hong Kong Profits Tax	—	(189)
Overprovision in prior years	—	159
	<u>—</u>	<u>—</u>
	—	(30)
Share of taxation of an associate	—	340
	<u>—</u>	<u>340</u>
	—	310
	<u>—</u>	<u>310</u>

Hong Kong Profits Tax was calculated at the rate of 16% of the estimated assessable profit for prior period.

8. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of HK\$27,017,000 (six months ended 30 June 2002: HK\$106,788,000) and on 27,546,825 shares (2002: weighted average number of 25,407,936 shares) in issue during the period after the adjustment of the Share Consolidation as defined in note 20(i).

No diluted loss per share has been presented for both periods as the exercise of the Company's outstanding share options would reduce the loss per share for the periods.

9. DIVIDENDS

The directors resolved not to declare an interim dividend for the six months ended 30 June 2003. No interim dividend was declared for the same period last year.

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9,764,000 (2002: HK\$1,725,000) on acquisition of property, plant and equipment.

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

	30 June	31 December
	2003	2002
	HK\$'000	HK\$'000
Loan to ALOH	45,815	45,815
Less: Allowance	(44,295)	(42,115)
	<u>1,520</u>	<u>3,700</u>

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 shares, any principal outstanding will be reduced to zero.

12. OTHER INVESTMENTS

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity securities listed in Hong Kong, at market value	900	—

13. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period ranged from 30 to 90 days to its customers. The aged analysis of trade receivables at the reporting date is as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	172	85
31 - 90 days	331	133
Over 90 days	—	1
	<u>503</u>	<u>219</u>

14. TRADE AND OTHER PAYABLES

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	487	693
Other payables	9,040	6,097
Deferred income	—	115
Customer deposits	—	10
	<u>9,527</u>	<u>6,915</u>

The aged analysis of trade payables at the reporting date is as follows:

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 - 30 days	400	4
31 - 90 days	15	—
Over 90 days	72	689
	<u>487</u>	<u>693</u>

15. LOAN FROM A FELLOW SUBSIDIARY

During the period, the Group obtained an unsecured loan of HK\$30,270,000 from a wholly-owned subsidiary of Easyknit. The loan bears interest at market rate and is repayable on demand.

16. OTHER LOAN, SECURED

During the period, the Group obtained a loan of HK\$4,000,000 from an outside party. The loan bears interest at market rate and is repayable on demand. The loan is secured by shares of a wholly-owned subsidiary of the Company.

17. SHARE CAPITAL

	Notes	Nominal value per share HK\$	Number of shares	Amount HK\$'000
Authorised:				
At 1 January 2003		0.10	3,000,000,000	300,000
Effect of the Reorganisation referred to below	(i)		<u>27,000,000,000</u>	<u>—</u>
At 30 June 2003		0.01	<u>30,000,000,000</u>	<u>300,000</u>
Issued and fully paid:				
At 1 January 2003		0.10	1,101,873,000	110,187
Reduction of share capital	(ii)		<u>—</u>	<u>(99,168)</u>
At 30 June 2003		0.01	<u>1,101,873,000</u>	<u>11,019</u>

Notes:

During the current period, the Company underwent a capital reorganisation (the "Reorganisation"). Details of the Reorganisation are set out in the circular dated 16 January 2003 issued by the Company.

At the special general meeting of the Company held on 7 February 2003, a special resolution approving the Reorganisation was passed and the following capital reorganisation took effect on 10 February 2003:

- (i) unissued shares of HK\$0.10 each in the authorised share capital of the Company were subdivided into ten shares of HK\$0.01 each;
- (ii) nominal value of issued shares in the share capital of the Company was reduced from HK\$0.10 each to HK\$0.01 each (the "Capital Reduction");
- (iii) the entire amount of HK\$255,030,000 standing to the credit of the share premium account of the Company was cancelled (the "Share Premium Cancellation"); and
- (iv) the credit amounts arising from the Capital Reduction and the Share Premium Cancellation were credited to the contributed surplus account of the Company where such amounts were utilised to eliminate the accumulated losses of the Company as at 31 December 2002.

18. CONTINGENT LIABILITIES

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Corporate guarantees given to banks in respect of credit facilities granted to ALOH and its subsidiaries	—	87,100
	<u> </u>	<u> </u>

On 5 February 2003 and 22 February 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited, a wholly-owned subsidiary of the Company, by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the arrears of rental, management fees and rates plus any subsequent arrears of rent, 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 has been filed in respect of the claim. On 17 March 2003, the vacant possession of the premises has been duly delivered to the landlord. After seeking professional advice, the directors consider that the Group has a valid defence against the claims and therefore, no provision for the sum claimed has been made in the condensed financial statements.

19. CAPITAL COMMITMENTS

	30 June 2003	31 December 2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure contracted for but not provided in the condensed financial statements in respect of:		
- capital injection for interests in jointly controlled entities and non wholly-owned subsidiaries	24,342	24,238
- acquisition of property, plant and equipment	2,190	—
	<u> </u>	<u> </u>
	26,532	24,238
	<u> </u>	<u> </u>

20. POST BALANCE SHEET EVENTS

The following significant events took place subsequent to 30 June 2003:

As announced by the Company on 1 August 2003, the Company proposed the following:

- (i) to effect a share consolidation pursuant to which every forty issued and unissued existing shares of the Company of HK\$0.01 each will be consolidated into one consolidated share of HK\$0.40 each ("Share Consolidation");
- (ii) upon the Share Consolidation becoming effective, to raise funds by way of a rights issue of not less than 13,773,412 rights shares and not more than 14,114,012 rights shares at a price of HK\$1.00 per rights share on the basis of one rights share for every two consolidated shares held; and
- (iii) to change the financial year-end of the Company from 31 December to 31 March.

At the special general meeting of the Company held on 8 September 2003, an ordinary resolution approving the Share Consolidation was passed.

Details of the above are set out, inter alia, in the announcement, circular and prospectus of the Company dated 1 August 2003, 20 August 2003 and 8 September 2003 respectively.

The net proceeds of the rights issue of approximately HK\$13.3 million had been received by the Company on 23 September 2003.

INTERIM DIVIDEND

The directors resolved not to declare an interim dividend for the six months ended 30 June 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's wholly-owned subsidiary, i100 Wireless (Hong Kong) Limited, is engaged in the provision of a branded wireless data services in Hong Kong. The key principle of the service is a GPRS-driven and entertainment focus wireless data service supported by international content providers, leading wireless games companies and major telecommunication carriers that fits with our target audience's mobile lifestyle.

The Group launched its 2.5G MVNO (mobile virtual network operator) business in October 2002, under the trade name Noodle. Noodle's technical platform is based on GPRS (general packet radio service), the most popular 2.5G data technology used in Hong Kong. It offers customers a wide array of mobile content such as games, up-to-date news, horoscopes, sports and other entertainment topics. Noodle mainly targets the niche, young people market for its services.

Starting from late June 2003, Noodle transferred all the active MVNO customer accounts to SUNDAY and SUNDAY continues to provide telecommunications services to Noodle MVNO customers. Hence, i100 Wireless (Hong Kong) Limited became a content provider to SUNDAY and is now working towards extending similar arrangement with other major telecommunication carriers in Hong Kong and China.

It is the Group's strategy to concentrate on its wireless communication business and communication solutions consultancy services.

PROSPECTS

The mobile communications market in Hong Kong has not avoided the downturn in spending owing to the unfavourable overall economic conditions. However, the Group believes that this will be short-lived as customers will begin to appreciate the value of affordable mobile entertainment and the future of the mobile data remains promising.

FINANCIAL REVIEW

Results

The Group's turnover and loss for the six months ended 30 June 2003 were HK\$4,225,000 (2002: HK\$68,842,000) and HK\$27,017,000 (2002: HK\$106,788,000), respectively.

The decrease in turnover was mainly due to the disposal of the Group's entire shareholding in (i) Acme Sanitary Engineering Company Limited ("Acme Sanitary"), which is engaged in the business of the provision of drainage, plumbing and engineering contracting services, on 4 May 2002 and (ii) Acme Landis Operations Holdings Limited ("Acme Landis"), which is engaged in the business of trading of sanitary fixtures and fittings and a range of hardware, industrial and consumer products, on 29 May 2002.

The Group's loss for the six months ended 30 June 2003 amounted to HK\$27,017,000 which includes impairment loss recognised in respect of long term investments of HK\$3,900,000, allowance for a loan to Acme Landis of HK\$2,180,000 and allowance for doubtful debts of HK\$1,147,000. The Group's operating expenses for the period under review were approximately HK\$20.5 million compared to approximately HK\$45.9 million for the same period in 2002 and the decrease was mainly due to the disposal of Acme Sanitary and Acme Landis.

Financial Resources and Capital Structure

The issued capital was decreased to HK\$11,019,000 due to a capital reorganisation. Details of which are set out in the circular dated 16 January 2003 issued by the Company. During the period under review, the Group obtained an unsecured loan of HK\$30.27 million from a fellow subsidiary. The Group also obtained a secured loan of HK\$4 million from an outside party. All the loans bear interest at market rate and are repayable on demand. The Group's total borrowings at 30 June 2003 were HK\$34.27 million.

The Group's liquidity ratio at the period end was 0.33 (31 December 2002: 0.57), which was calculated based on the current assets of HK\$15,084,000 (31 December 2002: HK\$4,628,000) and current liabilities of HK\$45,630,000 (31 December 2002: HK\$8,149,000).

Cash Flows

Increase in cash and cash equivalents for the six month period amounted to HK\$10,441,000 and was principally due to the loans obtained from a fellow subsidiary and from an outside party. The Group's cash is primarily in Hong Kong and US dollars, and placed in leading commercial banks as time deposits with various maturities.

Charges on Group Assets

The loan of HK\$4 million from an outside party is secured by shares of a wholly-owned subsidiary of the Company.

Employees and Remuneration Policies

As at 30 June 2003, the Group employed approximately 53 full time management, technical and administrative staff in Hong Kong and elsewhere in the People's Republic of China. The Group remunerates its employees based on their performance, experience and prevailing industry standards. The Group has share option schemes to motivate valued employees.

Capital Expenditure

During the period, the Group spent HK\$9,764,000 on acquisition of property, plant and equipment.

Contingent Liabilities

On 5 February 2003 and 22 February 2003, a writ and an amended writ were issued against i100 Wireless (Hong Kong) Limited by Right Choice Development Limited (landlord of the premises as stated below) claiming a total sum of HK\$596,860 being the arrears of rental, management fees and rates plus any subsequent arrears of rent, 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 has been filed in respect of the claim. On 17 March 2003, the vacant possession of the premises has been duly delivered to the landlord. After seeking professional advice, the directors consider that the Group has a valid defence against the claims and therefore, no provision for the sum claimed has been made in the condensed financial statements.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests and short positions of the directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

A. Interests in the Company

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Mr. Koon Wing Yee (<i>Note a</i>)	Spouse Interest	570,041,460	51.73%
Ms. Lui Yuk Chu (<i>Note a</i>)	Beneficiary of a Trust	570,041,460	51.73%

B. Interests in associated corporations

(1) Easyknit (*Note b*)

Name of director	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of Easyknit
Mr. Koon Wing Yee (<i>Note c</i>)	Spouse Interest	324,216,452	36.74%
Ms. Lui Yuk Chu (<i>Note c</i>)	Beneficiary of a Trust	324,216,452	36.74%
Mr. Tsang Yiu Kai	Beneficial Owner	98,175	0.01%

(2) Wellmake Investments Limited (“Wellmake”) (Note d)

Name of director	Capacity	Number of non-voting deferred shares held	Percentage to issued non-voting deferred shares of Wellmake
Mr. Koon Wing Yee	Beneficial Owner	1	50%
Ms. Lui Yuk Chu	Beneficial Owner	1	50%

Notes:

- (a) The 570,041,460 shares are registered in the name of and are beneficially owned by Landmark Profits Limited which is a wholly-owned subsidiary of Easyknit. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 570,041,460 shares by virtue of the SFO.
- (b) Easyknit is a holding company of the Company.
- (c) These 324,216,452 shares are registered in the name of and are beneficially owned by Magical Profits Limited which is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu and her family members). Mr. Koon Wing Yee, being the spouse of Ms. Lui Yuk Chu, is deemed to be interested in the 324,216,452 shares by virtue of the SFO.
- (d) Wellmake is a fellow subsidiary of the Company.

Save as disclosed above, as at 30 June 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2003 was the Company, or any of its holding companies, fellow subsidiaries or subsidiaries, a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

SHARE OPTION SCHEMES

A. The Company

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 its termination remain valid and exercisable in accordance with the terms of the 2001 Share Option Scheme.

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. No share options have been granted under 2002 Share Option Scheme since its adoption.

Particulars of the outstanding share options of the Company granted to the continuous contract employees of the Group under the 1991 Share Option Scheme and the 2001 Share Option Scheme and their movements during the period were as follows:

Number of share options							Share price	
Share Option Scheme	Date of grant of share options	As at 1 January 2003	Granted during the period	Lapsed during the period	As at 30 June 2003	Exercise period of share options	Exercise price per share option ⁽²⁾	Share price immediately preceding the grant date of share options ⁽¹⁾
							HK\$	HK\$
1991	2 Aug 2000 ⁽¹⁾	2,075,000	—	(1,680,000)	395,000	2 Aug 2001 to 1 Aug 2010	0.75	0.80
1991	6 Oct 2000 ⁽¹⁾	290,000	—	(290,000)	—	6 Oct 2001 to 5 Oct 2010	0.47	0.56
1991	26 Mar 2001 ⁽¹⁾	3,775,000	—	(3,350,000)	425,000	26 Mar 2002 to 25 Mar 2011	0.385	0.39
2001	31 Aug 2001 ⁽¹⁾	32,068,000	—	(5,640,000)	26,428,000	31 Aug 2002 to 30 Aug 2011	0.4032	0.50
		<u>38,208,000</u>	<u>—</u>	<u>(10,960,000)</u>	<u>27,248,000</u>			

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 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.
- (3) The price of the Company's shares disclosed as immediately preceding the grant date of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the share options.
- (4) No share options were exercised or cancelled during the period.

B. Subsidiaries

On 22 May 2001, solution100 Corporation, 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, i100 Wireless Corporation, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the persons (other than the directors or the chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholders	Capacity	Number of ordinary shares held	Approximate percentage to issued ordinary shares of the Company
Landmark Profits Limited (<i>Note</i>)	Beneficial Owner	570,041,460	51.73%
Newcourt Trustees Limited (<i>Note</i>)	Trustee	570,041,460	51.73%
Accumulate More Profits Limited (<i>Note</i>)	Corporate Interest	570,041,460	51.73%
Magical Profits Limited (<i>Note</i>)	Corporate Interest	570,041,460	51.73%
Easyknit (<i>Note</i>)	Corporate Interest	570,041,460	51.73%
Mountial Investment Co. Ltd.	Beneficial Owner	76,000,000	6.90%
The leadcorp, Inc.	Beneficial Owner	73,286,000	6.65%

Note: The 570,041,460 shares are registered in the name of and are beneficially owned by Landmark Profits Limited which is a wholly-owned subsidiary of Easyknit. Magical Profits Limited is interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited is wholly-owned by Accumulate More Profits Limited which in turn is wholly-owned by Newcourt Trustees Limited as trustee of The Magical 2000 Trust (the beneficiaries of which include Ms. Lui Yuk Chu, a director and her family members).

Save as disclosed above, as at 30 June 2003, the Company had not been notified of any interests or short positions in the shares and underlying shares of the Company which were required to be recorded in the register kept by the Company under Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2003.

AUDIT COMMITTEE

The current audit committee comprises two members, Mr. Kan Ka Hon and Mr. Kwong Cheung Tim, both of whom are independent non-executive directors of the Company. The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including review of the unaudited interim condensed financial statements for the six months ended 30 June 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2003, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's Bye-laws.

By Order of the Board of
i100 Limited
KOON, Wing Yee
President and Chief Executive Officer

Hong Kong, 25 September 2003