

# Notes to Financial Statements

31 December 2000

## 1. CORPORATE INFORMATION

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

- sales of sanitary fixtures and fittings
- sales of hardware, industrial and consumer products
- drainage, plumbing and engineering contracting services
- provision of communication solutions consultancy services
- Internet operations

## 2. 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 2000. 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.

### Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

# Notes to Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Joint venture arrangements which involve the establishment of a separate entity in which the Group and other parties have an interest are referred to as jointly-controlled entities.

The Group's share of the post acquisition results and reserves of a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provision for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

### 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 provision for diminutions in values, other than those considered to be temporary in nature, deemed necessary by the directors.

### Goodwill/capital reserve

Goodwill arising on the consolidation of subsidiaries and on the acquisition of associates represents the excess purchase consideration paid for the subsidiaries or associates over the fair values ascribed to the net underlying assets acquired and is written off to reserves in the year of acquisition. The capital reserve arising on consolidation of subsidiaries and on the acquisition of associates represents the excess of the fair values ascribed to the net underlying assets acquired over the purchase consideration and is credited to reserves. On disposal of subsidiaries or associates, the relevant portion of attributable goodwill/capital reserve previously written off/credited to reserves is written back and included in the calculation of the gain or loss on disposal.

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation. 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- $\frac{1}{3}$ %
Furniture, fixtures and equipment	20% to 33- $\frac{1}{3}$ %
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.

# Notes to Financial Statements

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## 2. 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.

### 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 provisions for impairments in values deemed necessary by the directors, other than those considered to be temporary in nature, on an individual basis. When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to a write-down 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.

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 on an individual basis. Unlisted securities are stated at their estimated fair values on an individual basis. The gains and losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

# Notes to Financial Statements

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such leases are charged or credited to the profit and loss account on the straight-line basis over the lease terms.

# Notes to Financial Statements

31 December 2000

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and the jointly-controlled entity are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

### Retirement benefits schemes

The Group operates defined contribution retirement benefits schemes under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. 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 schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. When an employee leaves the Mandatory Provident Fund Exempted ORSO retirement benefits scheme prior to his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group may be reduced by the relevant amount of forfeited contributions.

In respect to the Mandatory Provident Fund retirement benefits scheme the Group's employer contributions vest fully with the employees when contributed into the Scheme except that 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 Scheme.

# Notes to Financial Statements

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## 2. 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) 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) construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above;
- (c) 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) dividends, when the shareholders' right to receive payment is established; and
- (g) advertising service fees, in the period in which the advertisement is displayed on the straight-line basis over the term of the contract, provided that no significant Group obligations remain.

### 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 equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

## Notes to Financial Statements

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### 3. TURNOVER AND REVENUE

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

An analysis of turnover and revenue is as follows:

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Sales of sanitary fixtures and fittings	<b>113,831</b>	120,696
Sales of hardware, industrial and consumer products	<b>51,788</b>	48,972
Drainage, plumbing and engineering contracting services	<b>79,943</b>	279,455
Provision of communication solutions consultancy services	<b>412</b>	–
Internet operations	<b>1,029</b>	–
Turnover	<b>247,003</b>	449,123
Rental income	<b>2,309</b>	2,486
Interest income on bank deposits	<b>7,851</b>	1,115
Interest income on overdue balances from customers	<b>933</b>	893
Forfeited customer deposits	<b>21</b>	217
Others	<b>4,246</b>	1,183
	<b>15,360</b>	5,894
Revenue	<b>262,363</b>	455,017

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### 4. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Auditors' remuneration	<b>920</b>	610
Cost of sales:		
Cost of inventories sold	<b>110,923</b>	113,071
Cost of services rendered	<b>73,730</b>	268,341
Stock provision	<b>6,829</b>	849
	<b>191,482</b>	382,261
Deficit arising from revaluation of leasehold land and buildings	<b>3,210</b>	4,886
Deficit/(surplus) arising from revaluation of investment properties	<b>3,300</b>	(100)
Depreciation	<b>5,509</b>	2,748
Operating lease rentals in respect of land and buildings	<b>8,548</b>	7,116
Staff costs:*		
Wages and salaries	<b>68,603</b>	30,224
Pension scheme contributions	<b>1,930</b>	1,884
Less: Forfeited contributions	<b>(48)</b>	(20)
Net pension contributions	<b>1,882</b>	1,864
	<b>70,485</b>	32,088
Information Technology business operating costs#	<b>35,963</b>	–
Loss on disposal of fixed assets	<b>182</b>	15
Provision for doubtful debts	<b>11,315</b>	716
Exchange gains, net	<b>(388)</b>	(50)
Dividend income from an unlisted investment	<b>(38)</b>	(93)
Interest income	<b>(8,784)</b>	(2,008)
Gross and net rental income	<b>(2,309)</b>	(2,486)

\* Staff costs include directors' remuneration as set out in note 5 below. As at 31 December 2000, the Group had no forfeited pension scheme contributions available to offset future contributions (1999: Nil).

# Included staff cost of HK\$19,892,000 (1999: Nil), depreciation of HK\$2,029,000 (1999: Nil), operating lease rentals in respect of land and buildings of HK\$1,259,000 (1999: Nil) and interest income of HK\$5,000 (1999: Nil) as disclosed above.

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### 5. DIRECTORS' REMUNERATION

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

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Fees paid to non-executive directors	-	330
Executive directors:		
Fees	<b>16</b>	16
Salaries, allowances and benefits in kind	<b>8,509</b>	4,280
Bonus paid and payable	<b>800</b>	-
Pension scheme contributions	<b>252</b>	196
	<b>9,577</b>	4,822

The above directors' remuneration fell within the following bands:

	<b>2000</b> <b>No. of</b> <b>directors</b>	1999 No. of directors
Nil – HK\$1,000,000	<b>13</b>	5
HK\$1,000,001 – HK\$1,500,000	-	1
HK\$1,500,001 – HK\$2,000,000	-	1
HK\$2,000,001 – HK\$3,000,000	<b>3</b>	-
	<b>16</b>	7

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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### 6. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included three (1999: two) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining two (1999: three) non-director, highest paid employees are set out below.

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Basic salaries, housing, other allowances and benefits in kind	<b>3,828</b>	2,806
Pension scheme contributions	<b>52</b>	173
	<b>3,880</b>	2,979

The remuneration of the two (1999: three) non-director, highest paid employees fell within the following bands:

	<b>Number of employees</b>	
	<b>2000</b>	1999
Nil – HK\$1,000,000	-	2
HK\$1,000,001 – HK\$1,500,000	<b>1</b>	1
HK\$2,000,000 – HK\$2,500,000	<b>1</b>	-

### 7. FINANCE COSTS

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within one year or on demand	<b>954</b>	980

## Notes to Financial Statements

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### 8. TAX

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits arising in Hong Kong during the year.

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Group:		
Provision for the year	<b>2,473</b>	2,375
Overprovision in prior year	<b>(495)</b>	(297)
Tax rebate in respect of prior year's tax paid	<b>-</b>	(417)
	<b>1,978</b>	1,661
Share of tax attributable to associate	<b>1,078</b>	-
Tax charge for the year	<b>3,056</b>	1,661

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

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Tax losses carried forward	<b>10,727</b>	267
Accelerated capital allowances	<b>(2,164)</b>	(126)
Other timing differences	<b>275</b>	-
	<b>8,838</b>	141

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.

## Notes to Financial Statements

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### 9. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$134,599,000 (1999: net profit of HK\$7,773,000).

### 10. DIVIDENDS

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
First interim – Nil (1999: 1.3 cents) per ordinary share	-	2,080
Second interim – Nil (1999: 3.5 cents) per ordinary share	-	5,600
	-	7,680

### 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of HK\$132,580,000 (1999: net profit of HK\$4,276,000) and the weighted average of 653,079,452 ordinary shares (1999: 160,000,000 ordinary shares) in issue during the year.

The diluted loss per share for the year ended 31 December 2000 has not been shown as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

Diluted earnings per share for the year ended 31 December 1999 has not been calculated as no diluting events existed during that year.

## Notes to Financial Statements

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### 12. FIXED ASSETS

#### Group

	<b>Leasehold land and buildings</b> <i>HK\$'000</i>	<b>Furniture, fixtures and equipment</b> <i>HK\$'000</i>	<b>Motor vehicles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	23,800	14,930	2,656	41,386
Additions	–	20,849	752	21,601
Acquisition of a subsidiary	–	120	–	120
Disposals	–	(1,569)	(333)	(1,902)
Deficit on revaluation	(5,000)	–	–	(5,000)
At 31 December 2000	18,800	34,330	3,075	56,205
At cost	–	34,330	3,075	37,405
At 2000 valuation	18,800	–	–	18,800
	18,800	34,330	3,075	56,205
Accumulated depreciation:				
At beginning of year	–	12,322	2,186	14,508
Provided during the year	1,278	3,956	275	5,509
Disposals	–	(1,382)	(313)	(1,695)
Written back on revaluation	(1,278)	–	–	(1,278)
At 31 December 2000	–	14,896	2,148	17,044
Net book value:				
At 31 December 2000	18,800	19,434	927	39,161
At 31 December 1999	23,800	2,608	470	26,878

The Group's leasehold land and buildings were revalued at 31 December 2000 by Debenham Tie Leung, independent professional valuers, at HK\$18,800,000 on an open market value, existing use basis giving rise to a revaluation deficit of HK\$3,722,000. HK\$512,000 of this deficit has been charged to the leasehold land and building revaluation reserve and the remaining balance of HK\$3,210,000 has been charged to the profit and loss account.

## Notes to Financial Statements

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### 12. 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 2000, had the land and buildings of the Group been carried at historical cost less accumulated depreciation, their carrying value would have been HK\$25,447,000 (1999: HK\$26,764,000).

Certain land and buildings held by Group companies are pledged to secure banking facilities, as set out in note 22.

### 13. INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
At beginning of year	<b>23,300</b>	23,200
Revaluation surplus/(deficit)	<b>(3,300)</b>	100
At end of year	<b>20,000</b>	23,300

The revaluation deficit of HK\$3,300,000 has been charged to the profit and loss account. In the prior year, the revaluation surplus of HK\$100,000 was credited to the profit and loss account.

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

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Medium term	<b>1,500</b>	1,800
Long term	<b>18,500</b>	21,500
	<b>20,000</b>	23,300

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### 13. INVESTMENT PROPERTIES (Continued)

At the balance sheet date, the Group's investment properties were revalued on an open market value, existing use basis by Debenham Tie Leung, independent professional valuers, at HK\$20,000,000.

Certain investment properties held by Group companies are pledged to banks to secure banking facilities, as set out in note 22.

Particulars of the Group's investment properties are as follows:

<b>Location</b>	<b>Lease term</b>	<b>Use</b>	<b>Gross floor area (sq. ft.)</b>	<b>Group's interest</b>
Units A & B 18th Floor Harbour Commercial Building Nos. 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%
Shop No. 3 on Ground Floor, including Cockloft and Flat Roof of Portland Building Nos. 344-352 Portland Street Kowloon Hong Kong	Long term	Commercial	1,610	100%

## Notes to Financial Statements

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### 14. INTERESTS IN SUBSIDIARIES

	<b>Company</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Unlisted shares, at cost	-	62,807
Due from subsidiaries	<b>278,345</b>	33,376
Due to subsidiaries	-	(3,152)
Provision for diminutions in values	<b>(134,781)</b>	-
	<b>143,564</b>	93,031

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		Principal activities
				2000	1999	
<i>IT-related subsidiaries</i>						
ask100.com (BVI) Limited	British Virgin Islands	US\$2	Ordinary	66.67*	-	Investment holding
ask100.com (Hong Kong) Limited	Hong Kong	HK\$2	Ordinary	66.67*	-	Provision of an on-line expert site
ask100.com Corporation	Cayman Islands	US\$30,000	Ordinary	66.67*	-	Investment holding
Beijing Footnet100 Information Technology Company Limited	People's Republic of China	HK\$1,200,000	-	100*	-	Electronic trading platform for food industry

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### 14. 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		Principal activities
				2000	1999	
Castlebright Limited	Hong Kong	HK\$2	Ordinary	100*	–	Provision of management services
Foodnet100 Holdings Limited	Cayman Islands	US\$15,750	Ordinary	60*	–	Investment holding
Golden Throne Holdings Limited	British Virgin Islands	US\$1	Ordinary	100*	–	Investment holding
i100 Asiaweb Holdings Corporation	British Virgin Islands	US\$1	Ordinary	100	–	Investment holding
i100OnAir Limited	British Virgin Islands	US\$1	Ordinary	100*	–	Investment holding
i100 Technological Shenzhen Company Limited	People's Republic of China	HK\$1,000,000	–	100*	–	Development of computer hardware and software and related technical advisory services
OnAir100 Limited	Hong Kong	HK\$2.00	Ordinary	100*	–	Multimedia enabler
solution100 China Limited	People's Republic of China	US\$150,000	–	100*	–	Provision of network solutions services
solution100 Corporation	Cayman Islands	US\$50,000	Ordinary	100*	–	Investment holding
solution100 Limited	Hong Kong	HK\$2	Ordinary	100*	–	Digital solutions provider

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### 14. 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		Principal activities
				2000	1999	
<i>Non IT-related subsidiaries</i>						
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*	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*	100*	Designing and installing plumbing and drainage systems
Acme United Engineering Company Limited	Hong Kong	HK\$1,000,000	Ordinary	100*	100*	Designing and installing mechanical and electrical systems
Alpha Pacific International Limited	Hong Kong	HK\$2	Ordinary	100*	100*	Importing, marketing and distributing consumer products

## Notes to Financial Statements

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### 14. 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		Principal activities
				2000	1999	
Dai Fong Building Supplies (Hong Kong) Limited	Hong Kong	HK\$2	Ordinary	100*	100*	Property Holding
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*	100* 100	Importing, marketing and distributing hardware, industrial and consumer products
Landis Brothers (Asia) Company, Limited	British Virgin Islands	US\$1	Ordinary	100*	100*	Importing, marketing and distributing industrial products
Marrick Corporation	British Virgin Islands	US\$1	Ordinary	100*	100	Investment holding
Snowball Corporation	British Virgin Islands	US\$1	Ordinary	100*	100	Investment holding
U'Land Sanitary Ware Company Limited	Hong Kong	HK\$100	Ordinary	51*	51*	Retailing sanitary fixtures and fittings

\* Held through subsidiaries.

## Notes to Financial Statements

31 December 2000

### 14. INTERESTS IN SUBSIDIARIES (Continued)

During the year, the Company's direct equity interests in Marrick Corporation and Snowball Corporation were transferred to a new wholly-owned subsidiary, Acme Landis Operations Holdings Limited, for a consideration of HK\$8.

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.

### 15. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share of net assets	141	–	–	–
Loan to jointly-controlled entity	39	–	–	–
	180	–	–	–

The loan granted to the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of incorporation/ operations	Ownership interest	Percentage of Voting power	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

\* not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

The investment in the above jointly-controlled entity is indirectly held by the Company.

## Notes to Financial Statements

31 December 2000

### 16. INTEREST IN AN ASSOCIATE

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Share of net assets	10,158	-	-	-
Loans to associate	5,845	-	5,044	-
Share of exchange reserve	(3)	-	-	-
	16,000	-	5,044	-

The loans to the associate are unsecured, interest-bearing at 10% per annum and are repayable on or before 15 April 2001 or such later date as may be agreed between the two parties.

Particulars of the associate are as follows:

Name	Business structure	Place of incorporation/ and operations	Percentage of equity attributable to the Group		Principal activities
			2000	1999	
Asaiweb ASP Limited*	Corporate	Hong Kong	49	-	Investment holding

\* 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%.

On 15 June 2000, the Company issued 41,000,000 ordinary shares of HK\$0.10 each (the "Consideration Shares") to acquire, through a wholly-owned subsidiary, a 49% equity interest in Asaiweb ASP Limited. The consideration for the acquisition was HK\$103,320,000 which was satisfied in full by the issue of the Consideration Shares at HK\$2.52 per share.

The financial year end of the associate is 31 March, which is not coterminous with that of the Group.

## Notes to Financial Statements

31 December 2000

### 17. LONG TERM INVESTMENTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Investment securities:				
Unlisted equity investments, at cost	<b>5,448</b>	1,548	-	1,548
Other investments:				
Listed equity investments in Hong Kong, at market value	<b>388</b>	3	-	3
	<b>5,836</b>	1,551	-	1,551

### 18. CONSTRUCTION CONTRACTS

	Group	
	2000 HK\$'000	1999 HK\$'000
Gross amount due from contract customers	<b>30,012</b>	31,718
Contract costs incurred plus recognised profits less recognised losses to date	<b>704,576</b>	798,346
Less: Progress billings	<b>(674,564)</b>	(766,628)
	<b>30,012</b>	31,718

At 31 December 2000, no retention monies (1999: Nil) were held by customers for contract works.

At 31 December 2000, advances received from customers for contract works included in trade payables and accruals amounted to approximately HK\$4,832,000 (1999: Nil).

## Notes to Financial Statements

31 December 2000

### 19. TRADE RECEIVABLES

The Group grants credit periods of up to 90 days to its customers. Details of the ageing analysis of trade receivables are as follows:

	<b>Group</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Current	<b>16,489</b>	15,533
1-3 months	<b>22,089</b>	20,721
Over 3 months	<b>14,942</b>	16,222
	<b>53,520</b>	52,476
Bad debts provision	<b>(16,049)</b>	(4,666)
	<b>37,471</b>	47,810

### 20. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Cash and bank balances	<b>8,934</b>	10,072	<b>1,591</b>	46
Time deposits	<b>107,591</b>	9,566	<b>100,189</b>	–
	<b>116,525</b>	19,638	<b>101,780</b>	46

## Notes to Financial Statements

31 December 2000

### 21. TRADE PAYABLES AND ACCRUALS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Trade and bills payables	17,090	21,114	-	467
Other payables and accruals	19,086	6,919	2,169	-
Fees in advance	4,832	-	-	-
Customer deposits	2,567	3,668*	-	-
Dividends payable	-	5,600	-	5,600
	<b>43,575</b>	37,301	<b>2,169</b>	6,067

\* This amount in the previous year was grouped under other payables and accruals. To accord with the presentation adopted in the current year, which in the opinion of the directors, better reflects the underlying nature of business activities, the amount has been separately disclosed.

Details of the ageing analysis of trade and bills payables are as follows:

	Group	
	2000 HK\$'000	1999 HK\$'000
Current	6,307	6,739
1-3 months	7,595	8,499
Over 3 months	3,188	5,876
	<b>17,090</b>	21,114

## Notes to Financial Statements

31 December 2000

### 22. INTEREST-BEARING BANK LOANS AND OVERDRAFTS

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank overdrafts:				
Secured	7	720	-	-
Unsecured	43	964	-	-
	50	1,684	-	-
Bank loans:				
Secured	14,977	16,642	-	-
Unsecured	537	1,272	-	-
	15,514	17,914	-	-
	15,564	19,598	-	-
Bank overdrafts repayable within one year or on demand	50	1,684	-	-
Bank loans repayable within one year	15,514	17,914	-	-
	15,564	19,598	-	-
Portion classified as current liabilities	(15,564)	(19,598)	-	-
Long term portion	-	-	-	-

Certain of the Group's bank loans and overdrafts are secured by:

- (i) Mortgages over certain of the Group's investment properties, which had an aggregate carrying value at the balance sheet date of approximately HK\$15,000,000 (1999: HK\$17,500,000).
- (ii) Mortgages over certain of the Group's leasehold land and buildings, which had an aggregate net book value at the balance sheet date of approximately HK\$17,300,000 (1999: HK\$22,300,000).

## Notes to Financial Statements

31 December 2000

### 23. SHARE CAPITAL

#### Shares

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Authorised: 3,000,000,000 (1999: 300,000,000) ordinary shares of HK\$0.10 each	<b>300,000</b>	30,000
Issued and fully paid: 1,001,000,000 (1999: 160,000,000) ordinary shares of HK\$0.10 each	<b>100,100</b>	16,000

During the year, the following movements in the Company's share capital were recorded:

- (a) Pursuant to an ordinary resolution passed on 24 March 2000, the authorised share capital of the Company was increased from HK\$30,000,000 to HK\$300,000,000 by the creation of 2,700,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) On 31 May 2000, the Company issued a total of 800,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.25 per ordinary share for an aggregate cash consideration of HK\$200,000,000 pursuant to a subscription agreement dated 31 January 2000 in order to provide additional working capital to the Group to conduct Information Technology business related activities. Each of i100 Corporation, i100 Holdings Corporation and Asia Pacific Growth Fund III, L.P. subscribed respectively for 600,000,000 shares, 45,000,000 shares and 155,000,000 shares.

Pursuant to a supplemental agreement dated 31 May 2000 and the instructions of i100 Corporation, the 600,000,000 shares were allotted as to 317,000,000 shares to i100 Capital Corporation, 97,000,000 shares to i100 Holdings Corporation, 20,000,000 shares to Kolon International Corporation, 14,000,000 shares to Mr. Woong Yeul Lee, 6,000,000 shares to Valueline Venture Inc., 6,000,000 shares to Mr. Sang Hun Kwon, and 40,000,000 shares to Timeless Software Limited, with the balance of 100,000,000 shares being issued and allotted to i100 Corporation.

- (c) On 15 June 2000, the Company issued 41,000,000 ordinary shares of HK\$0.10 each to acquire an indirect 49% equity interest in Asiaweb ASP Limited, further details of which are included in note 16 to the financial statements.

## Notes to Financial Statements

31 December 2000

### 23. SHARE CAPITAL (Continued)

#### Share options

On 21 August 1991, the Company approved a share option scheme under which the directors may, at their discretion, grant options to directors and employees of the Group to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The scheme will remain in force for a period of ten years from the date of its adoption.

During the year, the Company granted a total of 16,235,000 share options for nil cash consideration which entitle the holders to subscribe for shares in the Company at any time during the period commencing on the first anniversary of the date of grant and ending 10 years after the date of grant. Details of movements in the share options of the Company during the year were as follows:

Date of grant	Subscription price per share	Number of share options			At 31 December 2000
		Granted during the year	Exercised during the year	Lapsed during the year	
2 August 2000	HK\$0.75	11,695,000	–	4,425,000	7,270,000
6 October 2000	HK\$0.47	4,540,000	–	1,400,000	3,140,000
		16,235,000	–	5,825,000	10,410,000

As at 31 December 2000, the Company had 10,410,000 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 10,410,000 additional ordinary shares.

Subsequent to the balance sheet date, 9,650,000 share options were granted on 26 March 2001 to certain employees of the Group at a subscription price of HK\$0.385.

## Notes to Financial Statements

31 December 2000

### 24. RESERVES

#### Group

	Share premium account HK\$'000	Leasehold land and building revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumu- lated losses) HK\$'000	Total HK\$'000
At 1 January 1999	30,786	8,891	7,324	-	-	82,463	129,464
Revaluation deficit	-	(5,503)	-	-	-	-	(5,503)
Net profit attributable to shareholders	-	-	-	-	-	4,276	4,276
Dividends	-	-	-	-	-	(7,680)	(7,680)
At 31 December 1999 and 1 January 2000	30,786	3,388	7,324	-	-	79,059	120,557
Issue of shares	219,220	-	-	-	-	-	219,220
Share issue expenses	(12,824)	-	-	-	-	-	(12,824)
Capital reserve on acquisition of a subsidiary	-	-	-	27	-	-	27
Goodwill on acquisition of an associate	-	-	-	(48,807)	-	-	(48,807)
Exchange realignments	-	-	-	-	(14)	-	(14)
Revaluation deficit	-	(512)	-	-	-	-	(512)
Net loss attributable to shareholders	-	-	-	-	-	(132,580)	(132,580)
At 31 December 2000	237,182	2,876	7,324*	(48,780)	(14)	(53,521)	145,067
Reserves retained by:							
The Company and subsidiaries	237,182	2,876	7,324	(48,780)	(11)	(9,131)	189,460
Jointly-controlled entity	-	-	-	-	-	(35)	(35)
Associate	-	-	-	-	(3)	(44,355)	(44,358)
At 31 December 2000	237,182	2,876	7,324	(48,780)	(14)	(53,521)	145,067

All of the above reserves were retained by or accumulated in the Company and its subsidiaries as at 31 December 1999.

\* The balance of the investment property revaluation reserve was transferred from the leasehold land and building revaluation reserve upon the reclassification of the related properties. This balance is frozen and is not available to offset the current and future years' revaluation deficits on investment properties.

## Notes to Financial Statements

31 December 2000

### 24. RESERVES (Continued)

#### Company

	<b>Share premium account</b>	<b>Contributed surplus</b>	<b>Retained profits/ (accumu- lated losses)</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 1999	30,786	46,962	473	78,221
Net profit attributable to shareholders	–	–	7,773	7,773
Dividends	–	–	(7,680)	(7,680)
At 31 December 1999 and 1 January 2000	30,786	46,962	566	78,314
Issue of shares	219,220	–	–	219,220
Share issue expenses	(12,824)	–	–	(12,824)
Net loss attributable to shareholders	–	–	(134,599)	(134,599)
At 31 December 2000	237,182	46,962	(134,033)	150,111

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. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

## Notes to Financial Statements

31 December 2000

### 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of profit/(loss) from operating activities to net cash inflow/(outflow) from operating activities

	<b>2000</b> <b>HK\$'000</b>	1999 <i>HK\$'000</i>
Profit/(loss) from operating activities	<b>(85,845)</b>	6,925
Deficit arising from revaluation of leasehold land and buildings	<b>3,210</b>	4,886
Deficit/(surplus) arising from revaluation of investment properties	<b>3,300</b>	(100)
Unrealised holding loss of a listed investment	<b>71</b>	–
Depreciation	<b>5,509</b>	2,748
Dividend income from an unlisted investment	<b>(38)</b>	(93)
Interest income	<b>(8,784)</b>	(2,008)
Loss on disposal of fixed assets	<b>182</b>	15
Decrease in inventories	<b>8,506</b>	2,193
Decrease in construction contracts	<b>1,706</b>	28,144
Decrease/(increase) in trade receivables	<b>14,761</b>	(3,330)
Decrease/(increase) in prepayments, deposits and other receivables	<b>(6,488)</b>	4,293
Decrease in trade and bills payables	<b>(7,481)</b>	(21,539)
Increase in other payables and accruals	<b>10,901</b>	3,225
Increase in fees in advance	<b>4,832</b>	–
Decrease in customer deposits	<b>(1,101)</b>	(467)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(56,759)</b>	24,892

## Notes to Financial Statements

31 December 2000

### 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Acquisition of a subsidiary

	<b>2000</b> <b>HK\$</b>
Net assets acquired:	
Fixed assets	<b>120</b>
Inventories	<b>8</b>
Trade receivables	<b>4,422</b>
Prepayments, deposits and other receivables	<b>126</b>
Cash and bank balances	<b>99</b>
Trade payables	<b>(3,457)</b>
Other payables and accruals	<b>(1,266)</b>
Minority interests	<b>(25)</b>
	<b>27</b>
Capital reserve on acquisition	<b>(27)</b>
	<b>-</b>

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	<b>2000</b> <b>HK\$'000</b>
Cash consideration	<b>-</b>
Cash and bank balances acquired	<b>99</b>
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<b>99</b>

During the year, the Group purchased the subsidiary at a nominal value of HK\$52.

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

## Notes to Financial Statements

31 December 2000

### 25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (c) Analysis of changes in financing during the year

	<b>Share capital (including share premium)</b> <i>HK\$'000</i>	<b>Minority interests</b> <i>HK\$'000</i>	<b>Bank loans and overdrafts</b> <i>HK\$'000</i>
At 1 January 1999	46,786	–	30,328
Net cash outflow from financing	–	–	(5,923)
Decrease in short term bank loans and overdrafts classified as cash equivalents	–	–	(4,807)
Share of loss for the year	–	8	–
At 31 December 1999 and at 1 January 2000	46,786	8	19,598
Net cash inflow/(outflow) from financing	200,000	2,000	(3,271)
Issue of new shares for non-cash consideration	103,320	–	–
Share issue expenses	(12,824)	–	–
Decrease in short term bank loans and overdrafts classified as cash equivalents	–	–	(763)
Acquisition of a subsidiary	–	25	–
Share of profit for the year	–	(587)	–
Share of exchange fluctuation reserve	–	(9)	–
At 31 December 2000	337,282	1,437	15,564

#### (d) Major non-cash transactions

The deficit arising from the revaluation of the Group's leasehold land and buildings of HK\$3,210,000 (1999: HK\$4,886,000) and the deficit arising from the revaluation of the Group's investment properties of HK\$3,300,000 (1999: surplus of HK\$100,000) had no cash flow impact on the Group.

During the year, the Group acquired a 49% equity interest in Asiaweb ASP Limited for a consideration of HK\$103,320,000 which was satisfied by the issuance of 41,000,000 ordinary shares of the Company at HK\$2.52 each, which had no cash flow impact on the Group.

Included in the profit and loss account is a provision for doubtful debts of HK\$11,315,000 (1999: HK\$716,000), which had no cash flow impact on the Group.

## Notes to Financial Statements

31 December 2000

### 26. CONTINGENT LIABILITIES

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Bank guarantees given to secure general banking facilities granted to subsidiaries	-	-	107,100	116,100

Such banking facilities were utilised by the Group companies to the extent of HK\$15,564,000 (1999: HK\$19,598,000) at the balance sheet date.

### 27. COMMITMENTS

#### (a) Capital commitments

	Group		Company	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Capital commitments contracted for: Capital injection related to the Group's interests in jointly-controlled entities and non wholly-owned subsidiaries	32,038	-	-	-

  

	Group	
	2000 HK\$'000	1999 HK\$'000
(b) Commitments under non-cancellable operating leases in respect of land and buildings expiring:		
Within one year	1,574	1,050
In the second to fifth years, inclusive	7,829	4,521
	9,403	5,571

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

## Notes to Financial Statements

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### 28. RELATED PARTY TRANSACTIONS

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

	Avon Limited		Come Trend Limited		Chung Yuen Electrical Company Limited	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Office rental expenses paid	<b>2,593</b>	3,817	-	-	-	-
Warehouse rental expenses paid	-	-	<b>540</b>	540	<b>480</b>	700
Warehouse rental income received	-	-	-	-	<b>240</b>	350

Details of the office rental expenses paid to Avon Limited during the year are as follows:

Group company	Location of Premises	Lease term	HK\$'000
Acme Sanitary Ware Company, Limited	Part of basement & 1/F., Acme Building	1 January 2000 to 31 December 2001	528
Acme Sanitary Ware Company, Limited	G/F., Acme Building	1 April 1997 to 31 March 2000	150
		1 April 2000 to 31 March 2003	990
Acme Sanitary Ware Company, Limited	12/F., Acme Building	1 January 2000 to 31 December 2001	336
Acme Sanitary Engineering Company, Limited	Part of basement, Acme Building	1 January 2000 to 31 December 2001	168
Acme Sanitary Engineering Company, Limited	Room C, 9/F., Acme Building	1 January 2000 to 31 December 2001	126
Landis Brothers & Company, Limited	6/F., Acme Building	1 October 1999 to 30 September 2001	295
			<u>2,593</u>

## Notes to Financial Statements

31 December 2000

### 28. RELATED PARTY TRANSACTIONS (Continued)

Chiu Chung Kwong, John has 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, including the independent directors, all of the above transactions were carried out in the ordinary course of the Group's business. The office rental expenses were calculated 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.

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

On 10 March 2000, the Company entered into a purchase agreement with Compuserve Consultants Limited, a wholly-owned subsidiary of Asiaweb ASP Limited, for setting up a web publishing system for a total consideration of HK\$5,600,000. Asiaweb ASP Limited became an associate of the Group on 31 May 2000. In the opinion of the directors, the purchase was carried out in the normal course of business of the Group and was conducted at prices and terms comparable with those charged by independent third party suppliers of the Group.

On 11 August 2000, the Company through its wholly-owned subsidiary, i100 Telemedia Limited ("i100 Telemedia"), entered into a joint venture agreement with STT Communications Pte Ltd. ("STT") and Pacific Star Capital Partners Ltd. ("PSCP") to establish an Asian investment and fund management business, owned as to 45%, 45% and 10% by i100 Telemedia, STT and PSCP, respectively. Further details of the joint venture are included in note 15 to the financial statements. PSCP is beneficially owned by Mr. Lee G. Lam, an independent non-executive director of the Company. Accordingly, the transaction constitutes a connected transaction of the Company pursuant to Rule 14.26 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. On 15 September 2000, Mr. Lee G. Lam ceased to be an independent non-executive director of the Company.

### 29. POST BALANCE SHEET EVENT

On 13 February 2001, the Company issued and allotted 873,000 ordinary shares of HK\$0.10 each, being 10% of the total consideration shares payable pursuant to the business transfer agreement dated 7 September 2000 and its supplement made between Shanghai Cyberway CompuComm Limited ("Shanghai Cyberway"), Cao Ming, Hong Zhou, Hong Yuan, i100Solutions Limited and the Company relating to the acquisition of the business of Shanghai Cyberway, including all the assets and liabilities which are employed in or arise from carrying on of the business.

### 30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 11 April 2001.