

IMPORTANT

If you are in any doubt about this prospectus or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Asia Alliance Holdings Limited (the "Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares, to the purchaser or bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

Dealings in the shares of the Company may be settled through the Central Clearing and Settlement System operated by Hong Kong Securities Clearing Company Limited ("HKSCC") and you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

A copy of this prospectus, together with copies of the provisional allotment letter and the form of application for excess Rights Shares and the written consent of Ernst & Young (the former auditors of the Company), have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. A copy of this prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Securities and Futures Commission of Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of any of the documents referred to above.

The Stock Exchange of Hong Kong Limited and HKSCC take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(formerly known as i100 Limited)

(Incorporated in Bermuda with limited liability)

RIGHTS ISSUE OF 297,505,700 RIGHTS SHARES OF HK\$0.10 EACH AT HK\$0.25 PER RIGHTS SHARE PAYABLE IN FULL UPON ACCEPTANCE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY SHARE HELD

Joint Financial Advisers



ALTUS CAPITAL LIMITED

GET NICE CAPITAL LIMITED

Underwriters of the Rights Issue



Kingston Securities Limited

GET NICE INVESTMENT LTD.

Cheer Union Securities Limited

It should be noted that the Underwriting Agreement contains provisions to the effect that Get Nice, on behalf of the Underwriters, may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date, if there occurs: 1. (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; and in the reasonable opinion of Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or 2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or 3. an Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and each Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or 4. the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as each Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company. Details of terms for the termination of the Underwriting Agreement are set out in the section headed "Termination of the Underwriting Agreement" on pages ii to iii and pages 10 to 11 of this prospectus. If the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Dealings in the Rights Shares in their nil-paid form will take place from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive) whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Wednesday, 24 March, 2004), or in the Rights Shares in their nil-paid form during the period from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (being the first and the last day of dealings in the nil-paid Rights Shares respectively) (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers.

The latest time for acceptance and payment for the Rights Shares is 4:00 p.m. on Monday, 22 March, 2004. The procedure for acceptance or transfer of the Rights Shares is set out on page 17 of this prospectus.

* For identification purposes only

4 March, 2004

SUMMARY OF THE RIGHTS ISSUE

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

Amount to be raised	approximately HK\$73.2 million, net of expenses
Basis of the Rights Issue	five Rights Shares for every Share held on the Record Date
Number of Rights Shares to be issued	297,505,700 Rights Shares
Rights Price	HK\$0.25 per Rights Share, payable in full on acceptance by 4:00 p.m. on Monday, 22 March, 2004
Right of excess application	provisional allottees have the right to apply for Rights Shares in excess of their provisional allotments

EXPECTED TIMETABLE

2004

Record Date	Thursday, 4 March
Register of members re-opens	Friday, 5 March
First day of dealings in nil-paid Rights Shares	Monday, 8 March
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Friday, 12 March
Last day of dealings in nil-paid Rights Shares	Wednesday, 17 March
Latest time and date for acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 22 March
Latest time for the Rights Issue to become unconditional	after 4:00 p.m. on Wednesday, 24 March
Announcement of results of acceptances of and excess applications in the Rights Issue	Thursday, 25 March
Despatch of refund cheques in respect of wholly or partially unsuccessful excess applications	Friday, 26 March
Despatch of certificates for fully-paid Rights Shares	Friday, 26 March
First day of dealings in fully-paid Rights Shares	Tuesday, 30 March
Free exchange of certificates for Old Shares for new certificates for Shares ends	Friday, 2 April

FORCE MAJEURE

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions to the effect that Get Nice, on behalf of the Underwriters, may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date, if there occurs:

1. (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. an Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and, each Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

FORCE MAJEURE

4. the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as each Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters such fees as may then be agreed by the relevant parties. If the Underwriters exercise such right, the Rights Issue will not proceed.

Dealings in the Rights Shares in their nil-paid form will take place from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive) whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholders or other persons dealing in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be Wednesday, 24 March, 2004), or in the Rights Shares in their nil-paid form during the period from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (being the first and the last day of dealings in the nil-paid Rights Shares respectively) (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during such periods who are in any doubt about their position are recommended to consult their professional advisers.

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DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Acceptance Date”	4:00 p.m. on Monday, 22 March, 2004 (or such other time and date as the Underwriters may agree in writing with the Company as the last time and date for acceptance of, and payment for, Rights Shares)
“Announcement”	the announcement of the Company dated 12 January, 2004 regarding, among other things, the Rights Issue
“associates”	the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks generally are open for business for more than five hours in Hong Kong
“Capital Reduction”	the reduction in the issued share capital of the Company from HK\$0.40 each per Old Share to HK\$0.10 per Share by cancelling HK\$0.30 paid up on each issued Old Share and by adjusting the nominal value from HK\$0.40 each to HK\$0.10 each, which took effect at 4:00 p.m. on Thursday, 4 March, 2004
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Cheer Union”	Cheer Union Securities Limited, a corporation deemed licensed under the SFO to carry out type 1 regulated activity (dealing in securities), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters
“Companies Act”	The Companies Act 1981 of Bermuda (as amended)
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“Company”	Asia Alliance Holdings Limited (formerly known as i100 Limited), an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“EAF(s)”	the excess application form(s) issued in connection with the Rights Issue

DEFINITIONS

“Easyknit”	Easyknit International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange and on the Singapore Exchange Securities Trading Limited and the controlling shareholder of the Company, currently holding approximately 35.9% of the Company’s issued share capital
“Easyknit Loan”	an interest-bearing loan of about HK\$30.3 million extended by Easyknit to the Group in February 2003 which has been partially repaid and in respect of which the outstanding balance was approximately HK\$21.3 million as at the Latest Practicable Date
“Get Nice”	Get Nice Investment Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	Shareholders other than Landmark Profits and its associates
“Kingston”	Kingston Securities Limited, a corporation deemed licensed under the SFO to carry out types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance and asset management), which is not a connected person (as defined in the Listing Rules) of the Company and which is one of the Underwriters
“Landmark Profits”	Landmark Profits Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Easyknit
“Last Trading Day”	2 January, 2004, being the last trading day before the suspension of trading in Old Shares, pending the release of the Announcement

DEFINITIONS

“Latest Practicable Date”	27 February, 2004, being the latest practicable date prior to the printing of this Prospectus, for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Old Share(s)”	share(s) of HK\$0.40 each in the share capital of the Company before the Capital Reduction and the Subdivision became effective
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appeared on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) issued in connection with the Rights Issue
“Prospectus”	this prospectus
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholder(s)”	Shareholder(s), other than Overseas Shareholder(s), whose name(s) appeared on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 4 March, 2004, being the date by reference to which entitlements to the Rights Issue were determined
“Registrar”	the Company’s branch share registrar in Hong Kong, Secretaries Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong
“Rights Issue”	the issue of the Rights Shares by way of rights to the Qualifying Shareholders of five Rights Shares for every Share held on the Record Date at a price of HK\$0.25 per Rights Share
“Rights Price”	HK\$0.25 per Rights Share payable in full on acceptance
“Rights Share(s)”	297,505,700 new Shares issued and provisionally allotted under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“SGM”	the special general meeting of the Company held on Thursday, 4 March, 2004 at which resolutions, inter alia, to approve the Capital Reduction, the Subdivision, the increase in authorised share capital, the Rights Issue, the general mandates to issue new Shares and repurchase Shares were passed
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company after the Capital Reduction and the Subdivision became effective
“Shareholder(s)”	holder(s) of Old Share(s) or, where the context requires, Share(s)
“Share Option(s)”	the outstanding share option(s) granted by the Company pursuant to the share option schemes of the Company adopted on 21 August, 1991 and 22 May, 2001 respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	the subdivision of each unissued Old Share into four Shares, which took effect at 4:00 p.m. on Thursday, 4 March, 2004
“Underwriters”	Get Nice, Cheer Union and Kingston, all of whom are independent of, and not connected with the Directors, chief executive or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates
“Underwriting Agreement”	the underwriting agreement dated 2 January, 2004 entered into between the Company and the Underwriters in relation to the underwriting and certain other arrangements in respect of the Rights Issue
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%” or “per cent.”	percentage or per centum



Asia Alliance Holdings Limited

亞洲聯盟集團有限公司*

(formerly known as i100 Limited)

(Incorporated in Bermuda with limited liability)

Executive Directors:

Koon Wing Yee

(President and Chief Executive Officer)

Tsang Yiu Kai

(Vice President)

Lui Yuk Chu

Principal place of business in Hong Kong:

7th Floor, Hong Kong Spinners Building

Phase 6

481-483 Castle Peak Road

Cheung Sha Wan, Kowloon

Hong Kong

Independent Non-Executive Directors:

Kan Ka Hon

Kwong Jimmy Cheung Tim

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

4 March, 2004

*To the Qualifying Shareholders, and
for information only, the Overseas Shareholders
and the holders of Share Options*

Dear Sirs or Madam,

**RIGHTS ISSUE
OF 297,505,700 RIGHTS SHARES
OF HK\$0.10 EACH AT HK\$0.25 PER RIGHTS SHARE
PAYABLE IN FULL UPON ACCEPTANCE
ON THE BASIS OF
FIVE RIGHTS SHARES FOR EVERY SHARE HELD**

INTRODUCTION

It was announced by the Directors on 12 January, 2004 that, subject to the Capital Reduction and the Subdivision becoming effective and the fulfilment of the conditions of the Rights Issue, the Company proposed to raise approximately HK\$74.4 million before expenses, by the Rights Issue of 297,505,700 Rights Shares at a price of HK\$0.25 per Rights Share payable in full on acceptance. The Capital Reduction and Subdivision were approved at the SGM and became effective at 4:00 p.m. on Thursday, 4 March, 2004. As at the Latest Practicable Date, no Share Options had been exercised.

* For identification purposes only

LETTER FROM THE BOARD

The Company had Share Options in issue as at the Latest Practicable Date. Upon full exercise of the rights attaching to the outstanding Share Options at the current subscription price, 994,050 Shares will be issued.

The terms of the share option schemes of the Company adopted on 21 August, 1991 and 22 May, 2001 stipulate that adjustments shall be made to the exercise prices of the Share Options and the number of Shares to be issued on exercise of the Share Options upon the happening of certain events including the Rights Issue. Such adjustments if made will be certified by the auditors as fair and reasonable. The Company will make an announcement about the adjustment in the exercise prices of the Share Options and the number of Shares to be issued on exercise of the Share Options after completion of the Rights Issue.

Save for the Share Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

The purpose of this Prospectus is to provide you with further details of the Rights Issue, including information on dealing and transfer of Rights Shares in their nil-paid form and the procedure for acceptance of provisional allotment of Rights Shares and certain financial and other information about the Group.

TERMS OF THE RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	Five Rights Shares for every Share held on the Record Date
Number of Old Shares in issue	:	59,501,140 Old Shares as at the Latest Practicable Date or up to 60,495,190 Old Shares upon full conversion of the outstanding Share Options (which are convertible into 994,050 Old Shares)
Number of Shares in issue	:	59,501,140 Shares
Number of Rights Shares	:	297,505,700 Rights Shares
Subscription price per Rights Share	:	HK\$0.25 per Rights Share with nominal value of HK\$0.10 each

The nil-paid Rights Shares represent (a) 500.0 per cent. of the Company's issued share capital and (b) 83.3 per cent. of the Company's issued share capital as enlarged by the issue of the Rights Shares.

Subject to the fulfilment of the conditions of the Rights Issue as described below, Qualifying Shareholders will be provisionally allotted Rights Shares in the proportion of five Rights Shares for every Share they held on the Record Date.

The Rights Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for Rights Shares.

LETTER FROM THE BOARD

Rights Price

The Rights Price represents:

- (i) a discount of about 86.1 per cent. to the closing price of HK\$1.80 per Old Share quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of about 50.8 per cent. to the theoretical ex-rights price of HK\$0.508 per Old Share calculated based on the closing price per Old Share on the Last Trading Day; and
- (iii) a discount of about 83.1 per cent. to the average closing price of approximately HK\$1.483 per Old Share for the last 10 trading days up to and including the Last Trading Day.

As the trading of the Old Shares was suspended on the Latest Practicable Date, neither the closing price nor average closing price for the last 10 trading days can be compared.

The Rights Price was determined after arm's length negotiations between the Company and the Underwriters. The Directors consider the terms of the Rights Issue and the Rights Price are fair and reasonable and in the best interests of the Company and the Shareholders.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) have an address in Hong Kong on the register of members of the Company on the Record Date.

In order to be registered as members of the Company on the Record Date, Shareholders must lodge any transfers of the Old Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:00 p.m. on Friday, 27 February, 2004.

Holders of outstanding Share Options who wish to participate in the Rights Issue should exercise their Share Options in accordance with their respective terms before 4:00 p.m. on Friday, 27 February, 2004 so as to enable themselves to be registered as Shareholders.

Closure of register of members

The register of members of the Company has been closed from Monday, 1 March, 2004 to Thursday, 4 March, 2004 (both dates inclusive).

Basis of provisional allotment

The basis of the provisional allotment is five Rights Shares for every Share held by Qualifying Shareholders at the close of business on the Record Date, being 297,505,700 Rights Shares at the Rights Price. Acceptance of all or any part of a Qualifying Shareholder's provisional allotment can only be made by completing the PAL and lodging the same with a remittance for the Rights Shares being accepted.

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares currently in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the final allotment of the Rights Shares.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of Overseas Shareholders and for any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by completing the EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis but will give preference to topping-up odd lots to whole board lots.

Listing of and dealings in the Rights Shares

Application has been made to the Listing Committee of the Stock Exchange for listings of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

Certificates for Rights Shares

Subject to the fulfilment of the conditions set out in the section headed “Conditions of the Rights Issue” below, certificates for all fully-paid Rights Shares are expected to be posted by Friday, 26 March, 2004 to Shareholders who have accepted and, where applicable, successfully applied for excess Rights Shares, and paid for the Rights Shares, at their own risk.

Rights of Overseas Shareholders

The Company has sent the Prospectus Documents to Qualifying Shareholders only.

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong and Bermuda. Accordingly, no provisional allotment of Rights Shares has been made to Overseas Shareholders. The Company has sent the Prospectus to Overseas Shareholders for their information only and will not send PALs or EAFs to Overseas Shareholders.

LETTER FROM THE BOARD

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid pro rata to the Overseas Shareholders. The Company will retain individual amounts of HK\$100 or less. Any unsold entitlements of Overseas Shareholders, together with any Rights Shares provisionally allotted but not accepted, will be made available for application on EAFs by Qualifying Shareholders.

UNDERWRITING ARRANGEMENTS

Underwriting agreement dated 2 January, 2004

The Underwriters have agreed to fully underwrite up to 195,593,180 Rights Shares, other than Rights Shares which Landmark Profits has undertaken to subscribe (being the Rights Shares, assuming full conversion of outstanding Share Options on or before Friday, 27 February, 2004, less the 106,882,770 Rights Shares to be issued to and accepted by Landmark Profits). The Underwriters do not have any shareholding in the Company and are not connected persons (as defined in the Listing Rules) of the Company.

Commission

The Company will pay each Underwriter an underwriting commission of 1.0 per cent. of the aggregate subscription price of the Rights Shares underwritten by them, out of which the Underwriters may pay sub-underwriting fees. The Directors believe that the underwriting commission accords with prevailing market rates of commissions for similar transactions.

Undertaking from Landmark Profits

As at the Latest Practicable Date, Easyknit, through Landmark Profits, was interested in 21,376,554 Old Shares, representing approximately 35.9% of the total issued share capital of the Company. Landmark Profits has irrevocably undertaken to the Company and the Underwriters that it will not dispose or transfer the Old Shares beneficially owned by it and that the Old Shares that it owned will remain registered in its name (or in the names of its nominees) from the date of the undertaking, being 2 January, 2004, to the close of business on the Record Date and that it will take up its entitlement under the Rights Issue in full, representing 106,882,770 Rights Shares. Landmark Profits will not apply for any excess Rights Shares.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriting Agreement contains provisions to the effect that Get Nice, on behalf of the Underwriters, may terminate the arrangements set out in the Underwriting Agreement by notice in writing given by Get Nice (on behalf of the Underwriters) to the Company at any time prior to 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date, if there occurs:

1. (a) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (b) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market; or
- (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out;

and in the reasonable opinion of Get Nice (on behalf of the Underwriters), such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

2. the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
3. an Underwriter receives the relevant notification pursuant to the Underwriting Agreement upon the Company becoming aware of any untrue or inaccurate representations or warranties contained in the Underwriting Agreement, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue or inaccurate or would be untrue or inaccurate if repeated as provided in the Underwriting Agreement, and each Underwriter, shall, in its reasonable opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

LETTER FROM THE BOARD

4. the Prospectus Documents contain information which would be untrue or inaccurate in any material respect and the Company has failed to promptly send out any announcements or circulars (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents), as each Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company.

Upon the giving of notice of termination, all obligations of the Underwriters under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement provided that the Company shall remain liable to pay to the Underwriters such fees as may then be agreed by the relevant parties. If the Underwriters exercise such right, the Rights Issue will not proceed.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following events being fulfilled:

1. the approval of the Capital Reduction and the Subdivision by Shareholders at the SGM and the Capital Reduction and the Subdivision becoming effective thereafter;
2. the approval of the Rights Issue by Independent Shareholders at the SGM (Landmark Profits and its associates will abstain from voting on the resolution to be proposed at the SGM to approve the Rights Issue);
3. the Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) and not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day after the Acceptance Date;
4. the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda respectively;
5. the obtaining of the permission of the Bermuda Monetary Authority for the allotment and issue of the Rights Shares, if necessary;
6. the compliance by the Company with all its obligations under the Underwriting Agreement and the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated in accordance with its terms; and
7. the performance in full by Landmark Profits of its undertaking to take up and accept the number of Rights Shares prior to 4:00 p.m. on the Acceptance Date.

As at the date of this Prospectus, conditions (1), (2), (4) and (5) have been fulfilled.

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Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority (“BMA”) in respect of the issue of the Rights Shares to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the Shares are listed on the Stock Exchange. In granting such permission and in accepting this Prospectus for filing, neither the BMA nor the Registrar of Companies in Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any of the statements made on, or opinions expressed in, the Prospectus Documents.

In the event that the conditions of the Rights Issue are not fulfilled on or before 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date as determined in the Underwriting Agreement (or such later date as the Company and the Underwriters may agree), none of the Underwriters or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement, and the irrevocable undertaking by Landmark Profits to accept its entitlement under the Rights Issue will lapse. The Rights Issue will not proceed accordingly.

WARNING OF THE RISKS OF DEALING IN SHARES AND NIL-PAID RIGHTS SHARES

Dealings in the Rights Shares in nil-paid form will take place from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form during the period from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in the Shares from now up to the date on which all the conditions to which the Rights Issue is subject are fulfilled and any persons dealing in the nil-paid Rights Shares during the period from Monday, 8 March, 2004 to Wednesday, 17 March, 2004 (being the first and the last day of dealings in the nil-paid Rights Shares respectively) (both dates inclusive), will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

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SHAREHOLDINGS IN THE COMPANY

The shareholdings in the Company immediately before and after completion of the Rights Issue are set out as follows:

	Immediately before completion of the Rights Issue		After completion of Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		After completion of the Rights Issue (assuming the Qualifying Shareholders other than Landmark Profits do not take up any Rights Shares)	
	<i>Old Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Landmark Profits	21,376,554	35.9	128,259,324	35.9	128,259,324	35.9
Underwriters	—	—	—	—	190,622,930	53.4
Public	<u>38,124,586</u>	<u>64.1</u>	<u>228,747,516</u>	<u>64.1</u>	<u>38,124,586</u>	<u>10.7</u>
Total	<u>59,501,140</u>	<u>100.0</u>	<u>357,006,840</u>	<u>100.0</u>	<u>357,006,840</u>	<u>100.0</u>

The Underwriters have sub-underwritten substantially all their underwriting obligations under the Rights Issue to sub-underwriters such that the Underwriters will not own more than 2% in aggregate of the issued share capital of the Company after completion of the Rights Issue.

In the event that the Underwriters are required to take up the Rights Shares pursuant to their underwriting obligations, the Underwriters shall procure independent placees to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with.

REASONS FOR AND USE OF PROCEEDS OF THE RIGHTS ISSUE

The existing wireless communication business of the Group continues to suffer substantial losses and the outlook remains uncertain. For the time being, the Directors intend to continue the wireless communication business on a prudent basis while conducting reviews and assessments on streamlining the operations of this business. In view of such uncertainty, the Directors believe that it is in the interest of the Group to explore new investments and business opportunities to diversify and expand its source of income. The Company constantly conducts negotiations, with a view to participate in such potential investment projects or businesses, with independent third parties as well as related parties such as Easyknit. The Company shall make appropriate announcements once such investment projects or businesses are identified.

The Directors believe the timing of the Rights Issue is appropriate as it allows the Group to capitalise on the strength of the stock market in general and in particular, the prices of its securities recently. The Directors are of the view that capital raising opportunities may not frequently arise.

LETTER FROM THE BOARD

The estimated expenses of the Rights Issue are approximately HK\$1.2 million, which will be borne by the Company. The estimated net proceeds of the Rights Issue are approximately HK\$73.2 million. The Company plans to use approximately HK\$22 million for the full repayment of the Easyknit Loan and balance of approximately HK\$51 million for general working capital. If opportunities arise for possible new businesses or investments as discussed above, the balance of the proceeds from the Rights Issue may be used for business expansion. The Company shall make announcements on any change in the use of proceeds of the Rights Issue as and when appropriate.

As at 30 June, 2003, the Group had a net deficit of approximately HK\$15.3 million. The liabilities of the Group were approximately HK\$45.6 million comprising, inter alia, (a) the Easyknit Loan of approximately HK\$30.3 million, of which HK\$9 million has since been repaid; (b) trade and other payables of approximately HK\$9.5 million; (c) a loan of HK\$4 million from an outside party which is not a connected person (as defined in the Listing Rules); and (d) an amount due to other associates of approximately HK\$1.8 million. Save for the full repayment of the Easyknit Loan, the net proceeds of the Rights Issue will not be used for the repayment of any other loans of the Group. The Directors note that the full repayment of the Easyknit Loan will enable the Group to save more than HK\$1.1 million of interest expenses each year.

As the Rights Issue will allow Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company, the Directors consider it a method to raise funds that is in the interests of the Shareholders.

PREVIOUS FUND RAISING EXERCISES OF THE COMPANY

The following summarises the fund raising exercises of the Company in the past 12 months before the Latest Practicable Date:

Date of announcement	Details of fund raising exercise	Net proceeds raised <i>(HK\$ million)</i>	Balance of net proceeds <i>(Note)</i> <i>(HK\$ million)</i>	Usage of funds
August 2003	1-for-2 rights issue	13.3	9.9	- General working capital
October 2003	Placing of new Old Shares	6.9	1.8	- HK\$5.0 million for partial repayment of the Easyknit Loan - HK\$1.9 million for general working capital
November 2003	Placing of new Old Shares	8.4	3.9	- HK\$4.0 million for partial repayment of the Easyknit Loan - HK\$4.4 million for general working capital

Note: The balance represents the remaining net proceeds from the previous fund raising exercises of the Company as at the Latest Practicable Date.

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The Directors are of the view that the Group will have sufficient funds to meet its current working capital requirements after the Rights Issue and have no immediate intention for the Company to issue further new Shares to raise funds. The Group may however raise further funds in future if there is such a requirement, especially if opportunities for new businesses or investments arise.

REVIEW OF OPERATIONS AND PROSPECTS

The Company is an investment holding company. Its current subsidiaries are engaged in the wireless communication business, provision of communication solutions consultancy services, internet operations and trading of garments.

(a) Business review

For the six months ended 30 June, 2003, turnover and loss of the Group were approximately HK\$4,225,000 and HK\$27,017,000 respectively, representing a decrease of approximately 94% and 75% respectively when compared to the same period last year.

The decrease in turnover was mainly due to the disposal of the Group's entire shareholding in (i) Acme Sanitary Engineering Company Limited, formerly a wholly-owned subsidiary of the Company which was 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"), formerly a wholly-owned subsidiary of the Company which was 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 approximately HK\$27,017,000 which included an impairment loss recognised in respect of long term investments of approximately HK\$3,900,000, allowance for a loan to Acme Landis of approximately HK\$2,180,000 and allowance for doubtful debts of approximately HK\$1,147,000.

(b) Investments in wireless data service

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 principal service is a GPRS (general packet radio service)-driven and entertainment focused wireless data service supported by international content providers, leading wireless games companies and major telecommunication carriers that accommodates the lifestyle of the Group's target users.

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, the most popular 2.5G data technology used in Hong Kong. It offers its customers a wide array of mobile content such as games, up-to-date news, horoscopes, sports and other entertainment topics. Noodle mainly targets the younger market for its services.

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In late June 2003, Noodle transferred all the active MVNO customer accounts to SUNDAY and SUNDAY continues to provide telecommunication services to the Noodle MVNO customers. As part of the business arrangements, i100 Wireless (Hong Kong) Limited became a content provider with other major telecommunication carriers in Hong Kong and China.

(c) **Business of garment trading**

In view of the general economic downturn and the market sentiment in the wireless communication business remaining gloomy, the Directors introduced the business of garment trading to the Group in early October 2003 with the aim to turn around the business of the Group. The Group's management, the same as that of Easyknit, has ample and extensive experiences in the garment trading business. The new business of garment trading comprised garment sourcing and then selling the products to customers. The new business is trading under a subsidiary of the Company and is managed by the Group's own separate sourcing team. The Directors believe that introduction of new business of garment trading is in the best interest of the Shareholders.

(d) **Prospects**

The general economic climate affected the mobile communication business of the Group in Hong Kong and the Group will continue to streamline its operation in this business segment and keep its feasibility under review. The Group will continue to explore potential investment projects or businesses with a view to diversify and expand its source of income.

OVERSEAS SHAREHOLDERS

No action has been taken to permit the offer of the Rights Shares or the distribution of copies of the Prospectus or the PALs or the EAFs in any jurisdiction other than Hong Kong or Bermuda. Accordingly, no person receiving a PAL or a EAF in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Except as referred to below, it is the responsibility of anyone outside Hong Kong who wish to make an application for the Rights Shares to satisfy himself/herself as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such jurisdiction. Application for Rights Shares will not be accepted from any person whose registered address is outside Hong Kong. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the jurisdiction of residence of the relevant applicant.

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PROCEDURE FOR ACCEPTANCE OR TRANSFER

A PAL is enclosed with this Prospectus which entitles you to subscribe for the number of Rights Shares indicated on the PAL. If you wish to exercise your right to subscribe for all the Rights Shares specified in the enclosed PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance of the number of Rights Shares provisionally allotted to you, with the Registrar no later than 4:00 p.m. on Monday, 22 March, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Asia Alliance Holdings Limited — Rights Issue Account" and crossed "Account Payee Only".

It should be noted that unless the PAL, together with the appropriate remittance, has been lodged to the Registrar by 4:00 p.m. on Monday, 22 March, 2004, whether by the original allottee or any person in whose favour the rights have been transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to accept only part of your provisional allotment or transfer a part of your rights to subscribe for the Rights Shares provisionally allotted under the PAL or to transfer all of your rights, the entire PAL must be surrendered by not later than 4:00 p.m. on Friday, 12 March, 2004 to the Registrar who will cancel the original PAL and issue a new PAL in the denominations required. The PALs contain full information regarding the procedures to be followed if you wish to accept only part of your provisional allotment or if you wish to transfer all or part of your provisional allotment.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which a cheque or cashier's order is dishonoured on first presentation are liable to be rejected and in that event the provisional allotment of Rights Shares and all rights thereunder will be deemed to have been declined and will be cancelled. If Get Nice (on behalf of the Underwriters) exercises the right to terminate the obligations of the Underwriters under the Underwriting Agreement before 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date, the monies received in respect of the relevant provisional allotment of Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Friday, 26 March, 2004.

APPLICATIONS FOR EXCESS RIGHTS SHARES

Qualifying Shareholders may apply for any unsold entitlements of Overseas Shareholders and any Rights Shares provisionally allotted but not accepted.

Application for excess Rights Shares can be made only by completing the EAF. The Directors will allocate the excess Rights Shares on a fair and reasonable basis, but will give preference to topping-up odd lots to whole board lots.

If you wish to apply for any Rights Shares in addition to your provisional allotment, you must complete and sign the enclosed EAF as indicated thereon and lodge it, together with a

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separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar no later than 4:00 p.m. on Monday, 22 March, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Asia Alliance Holdings Limited — Excess Application Account" and crossed "Account Payee Only". The Registrar will notify you of any allotment of excess Rights Shares made to you.

If no excess Rights Shares are allotted to you, the amount tendered on application is expected to be refunded in full on or before Friday, 26 March, 2004. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application monies are also expected to be refunded to you on or before Friday, 26 March, 2004. If Get Nice (on behalf of the Underwriters) exercises the right to terminate the obligations of the Underwriters under the Underwriting Agreement before 4:00 p.m. on Wednesday, 24 March, 2004, being the second Business Day following the Acceptance Date, the monies received in respect of relevant applications for excess Rights Shares will be returned to the relevant persons without interest, by means of cheques to be despatched by the ordinary post at the risk of the relevant applicants on or before Friday, 26 March, 2004.

All cheques and cashier's orders will be presented for payment following receipt and any interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) named in it and is not transferable. All documents, including cheques or cashier's order for refund, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by no later than Friday, 26 March, 2004.

LISTINGS AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for listings of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

The Shares will not be listed or dealt in on any stock exchange outside Hong Kong. Apart from the Shares and the Rights Shares, no part of the securities of the Company is listed or dealt in nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any other stock exchange.

Dealings in the nil-paid Rights Shares are expected to commence on Monday, 8 March, 2004 and to cease at the close of business of the Stock Exchange on Wednesday, 17 March, 2004. The latest time for splitting of nil-paid Rights Shares will be 4:00 p.m. on Friday, 12 March, 2004.

Subject to the granting of listings of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by

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HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares in both their nil-paid and fully-paid forms to be admitted into CCASS. For the purpose of trading on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be traded in board lot of 4,000 Shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

SHARE CERTIFICATES

Shareholders are advised, during business hours from Friday, 5 March, 2004 to Friday, 2 April, 2004 (both dates inclusive), to submit their certificates for the Old Shares to the Registrar for exchange, free of charge, for new certificates for Shares. Thereafter, certificates for the Old Shares will continue to be good evidence of legal title to the Shares and may be exchanged for certificates for the Shares at any time but on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate to be issued for these Shares.

It is expected that certificates for the fully-paid Rights Shares will be posted to those entitled thereto at their own risk by the Registrar on or before Friday, 26 March, 2004.

Where entitlements to Rights Shares exceed one board lot, it is proposed, so far as is practicable, to issue share certificates in integral multiples of board lots of 4,000 Shares each, with a certificate for the balance.

GENERAL

All documents, including cheques for amounts due, will be sent by post at the risk of the persons entitled thereto to their registered addresses.

FURTHER INFORMATION

Your attention is drawn to the further information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of
Asia Alliance Holdings Limited
Koon Wing Yee
President and Chief Executive Officer

1. DIRECTORS**Particulars of Directors**

Name	Address
Executive Directors:	
Koon Wing Yee	No. 11 Keng Hau Road Shatin New Territories Hong Kong
Tsang Yiu Kai	House B, Richwood Park 33 Lo Fai Road Tai Po, New Territories Hong Kong
Lui Yuk Chu	No. 11 Keng Hau Road Shatin New Territories Hong Kong
Independent Non-Executive Directors:	
Kan Ka Hon	Unit GB, No. 11 La Serene Discovery Bay New Territories Hong Kong
Kwong Jimmy Cheung Tim	Flat 15C, Block 1 Ronsdale Garden 25 Tai Hang Drive Hong Kong

Executive Directors

Koon Wing Yee, aged 47, is an executive Director and the President and Chief Executive Officer of the Company. Mr. Koon is also a co-founder of Easyknit and its subsidiaries (“Easyknit Group”) and an executive director and the President and Chief Executive Officer of Easyknit. He has been involved in the textiles industry for more than 26 years. He is the husband of Ms. Lui Yuk Chu (who is also an executive Director). Mr. Koon is responsible for the overall management and development of the Easyknit Group. Mr. Koon was awarded the “Young Entrepreneur Award” in Hong Kong in December 1994 for his outstanding achievements as an entrepreneur. Mr. Koon joined the Group in March 2003.

Tsang Yiu Kai, aged 52, is an executive Director, the Vice President and the company secretary of the Company. Mr. Tsang is also an executive director, the Vice President and the company secretary of Easyknit and is responsible for the corporate affairs, finance and general management of the Easyknit Group. Mr. Tsang holds a Diploma in Accountancy from Hong Kong Baptist University (formerly known as The Hong Kong Baptist College) and he is a fellow member of The Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. Mr. Tsang has about 28 years of working experience. Mr. Tsang joined the Group in March 2003.

Lui Yuk Chu, aged 46, is an executive Director of the Company. Ms. Lui is a co-founder and an executive director of Easyknit. She is the wife of Mr. Koon Wing Yee. She has been involved in the textiles industry for more than 26 years and has extensive experience in design, manufacturing, marketing and distribution of apparel. Ms. Lui joined the Group in March 2003.

All of the executive Directors were appointed to the Board in March 2003.

Independent Non-Executive Directors

Kan Ka Hon, aged 53, was appointed to the Board in April 2003. Mr. Kan holds a Bachelor Degree in Science from The University of Hong Kong and is a fellow member of The Association of Chartered Certified Accountants in the United Kingdom and a member of The Hong Kong Society of Accountants. Mr. Kan has 29 years of experience in accounting. Mr. Kan is an executive director of Chevalier International Holdings Limited and Chevalier iTech Holdings Limited. He is also an independent non-executive director of Victory City International Holdings Limited.

Kwong Jimmy Cheung Tim, aged 61, was appointed to the Board in April 2003. Mr. Kwong graduated from The University of Hong Kong in 1965 and was admitted as Barrister-at-law in the United Kingdom in 1970 and Hong Kong in 1973 respectively. Mr. Kwong has over 30 years of experience in the legal field and is now a practising Barrister.

2. CORPORATE INFORMATION

Registered office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Principal place of business	7th Floor, Hong Kong Spinners Building Phase 6, 481-483 Castle Peak Road Cheung Sha Wan, Kowloon Hong Kong
Company secretary	Tsang Yiu Kai FHKSA, FCCA, AHKIT, CGA and CPA
Authorised representatives	Koon Wing Yee Tsang Yiu Kai
Legal advisers to the Company	<i>On Hong Kong law:</i> Richards Butler 20th Floor Alexandra House 16-20 Chater Road Hong Kong <i>On Bermuda law:</i> Appleby Spurling & Kempe 5511 The Center 99 Queen's Road Central Central Hong Kong
Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Registrar and transfer office in Hong Kong	Secretaries Limited Ground Floor Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
Principal share registrar and transfer office in Bermuda	The Bank of Bermuda Limited Bank of Bermuda Building 6 Front Street Hamilton HM 11 Bermuda

Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
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3. SHARE CAPITAL AND SHARE OPTIONS

As at the Latest Practicable Date, no Share Options had been exercised. The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Rights Issue are as follows:

	<i>HK\$</i>
<i>Authorised:</i>	
<u>750,000,000</u> Old Shares as at the Latest Practicable Date	<u>300,000,000</u>
<u>6,500,000,000</u> Shares	<u>650,000,000</u>
 <i>Issued and fully paid:</i>	
<u>59,501,140</u> Old Shares in issue as at the Latest Practicable Date	<u>23,800,456</u>
59,501,140 Shares in issue	5,950,114
<u>297,505,700</u> Rights Shares to be issued pursuant to the Rights Issue	<u>29,750,570</u>
<u>357,006,840</u> Shares in issue immediately following the Rights Issue	<u>35,700,684</u>

Each of the Shares in issue ranks pari passu in all respects including rights to dividends, voting and return of capital. The Shares to be issued pursuant to the Rights Issue, when fully paid and issued, will rank pari passu in all respects with the then issued Shares including the right to receive all dividends and distributions which may be declared, made or paid after the issue of the Rights Shares.

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchanges.

Save as disclosed herein, no share or loan capital of the Company or any of its subsidiaries has been put under option or agreed conditionally or unconditionally to be put under option.

The Company had Share Options in issue as at the Latest Practicable Date. Upon full exercise of the rights attaching to the outstanding Share Options at the current subscription price, 994,050 Shares will be issued. Save for the Share Options, there are no outstanding warrants, share options or other securities which are convertible into or give rights to subscribe for Shares.

4. INTERIM RESULTS

Set out below are the extracts of the unaudited interim results for the six months ended 30 June, 2003 of the Group with comparative figures. These interim financial statements have been reviewed by the Company's audit committee.

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

	NOTES	Six months ended 30 June	
		2003 HK\$'000 (Unaudited)	2002 HK\$'000 (Unaudited)
Turnover	3	4,225	68,842
Cost of sales and services		<u>(2,843)</u>	<u>(50,745)</u>
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		<u>—</u>	<u>(4,616)</u>
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		<u>(75)</u>	<u>(61)</u>
Loss before taxation		(27,017)	(106,655)
Taxation	7	<u>—</u>	<u>310</u>
Loss before minority interests		(27,017)	(106,345)
Minority interests		<u>—</u>	<u>(443)</u>
Net loss for the period		<u>(27,017)</u>	<u>(106,788)</u>
Basic loss per share	8	<u>HK\$(0.98)</u>	<u>HK\$(4.20)</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2003

	<i>NOTES</i>	30 June 2003 <i>HK\$'000</i> <i>(Unaudited)</i>	31 December 2002 <i>HK\$'000</i> <i>(Audited)</i>
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	<u>1,520</u>	<u>3,700</u>
		<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		<u>12,263</u>	<u>1,822</u>
		<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	<u>4,000</u>	<u>—</u>
		<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		<u>(26,317)</u>	<u>(98,468)</u>
		<u>(15,298)</u>	<u>11,719</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		
	External	Inter-segment	Consolidated	Segment result	Unallocated corporate expenses	Total
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>—</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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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></u>	<u><u>310</u></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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loan to ALOH	45,815	45,815
Less: Allowance	(44,295)	(42,115)
	<u>1,520</u>	<u>3,700</u>
	<u><u>1,520</u></u>	<u><u>3,700</u></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	<u>900</u>	<u>—</u>

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	<u>—</u>	<u>1</u>
	<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	<u>—</u>	<u>10</u>
	<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	<u>72</u>	<u>689</u>
	<u><u>487</u></u>	<u><u>693</u></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

	<i>Notes</i>	Nominal value per share	Number of shares	Amount
		<i>HK\$</i>		<i>HK\$'000</i>
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><u>30,000,000,000</u></u>	<u><u>300,000</u></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><u>1,101,873,000</u></u>	<u><u>11,019</u></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	<u>—</u>	<u>87,100</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	<u>2,190</u>	<u>—</u>
	<u>26,532</u>	<u>24,238</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.

5. REPRODUCED REPORT OF ERNST & YOUNG (THE FORMER AUDITORS OF THE COMPANY) FOR THE YEAR ENDED 31 DECEMBER, 2002

The following is the full text of the reproduced report of Ernst & Young (the former auditors of the Company) for the year ended 31 December, 2002 extracted from pages 20 to 21 of the annual report 2002 of the Company (“Annual Report”). The page references in this reproduced report are the same as the Annual Report.



To the members

i100 Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 22 to 79 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

FUNDAMENTAL UNCERTAINTY IN RESPECT OF GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis, being the basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the Group's operations generated a net loss during the year and negative cash flows. The Group also had net current liabilities of HK\$3,521,000 at the balance sheet date. Subsequent to the balance sheet date, the Group obtained a loan of approximately HK\$30,270,000 from a new holding company. The financial statements have been prepared on a going concern basis, the validity of which depends upon the Group attaining profitable and cash positive operations in the longer term and, in the meantime, the continuing financial support from the new holding company as detailed in note 2 to the financial statements. We consider that appropriate estimates and disclosures regarding the above fundamental uncertainties have been made and our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young*Certified Public Accountants*

Hong Kong

24 April 2003

6. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated profit and loss account of the Group for the three years ended 31 December, 2002, the audited consolidated balance sheet of the Group as at 31 December, 2001 and 2002, the consolidated statement of changes in equity, the consolidated cash flow statement for the two years ended 31 December, 2002 and the balance sheet of the Company as at 31 December, 2001 and 2002. The information upon which the summary is based has been fully extracted from the annual reports of the Company for the relevant years. All the page references in this section are the same as the Annual Report.

Consolidated Profit and Loss Account

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
TURNOVER	6	70,354	198,134	247,003
Cost of sales		<u>(52,216)</u>	<u>(170,172)</u>	<u>(191,482)</u>
Gross profit		18,138	27,962	55,521
Other revenue and gains	6	2,398	6,817	15,360
Selling and distribution costs		(19,942)	(23,521)	(23,412)
Administrative expenses		(55,775)	(78,522)	(74,707)
Other operating expenses		(12,266)	(55,576)	(58,607)
Provision for a loan to Acme Landis Operations Holdings Limited, a former subsidiary		(42,115)	—	—
Provision for loans to an associate		(14,216)	—	—
Provision for impairment of goodwill		(48,807)	—	—
Loss on discontinued operations	8	<u>(4,615)</u>	<u>—</u>	<u>—</u>
LOSS FROM OPERATING ACTIVITIES	7	(177,200)	(122,840)	(85,845)
Finance costs	11	<u>(37)</u>	<u>(458)</u>	<u>(954)</u>
OPERATING LOSS		(177,237)	(123,298)	(86,799)
Share of profits and losses of:				
Jointly-controlled entities		(65)	(15)	(35)
An associate		<u>(13,991)</u>	<u>4,014</u>	<u>(43,277)</u>
LOSS BEFORE TAX		(191,293)	(119,299)	(130,111)
Tax	12	<u>309</u>	<u>570</u>	<u>(3,056)</u>
LOSS BEFORE MINORITY INTERESTS		(190,984)	(118,729)	(133,167)
Minority interests		<u>(440)</u>	<u>269</u>	<u>587</u>
NET LOSS FROM ORDINARY ACTIVITIES				
ATTRIBUTABLE TO SHAREHOLDERS	13	<u>(191,424)</u>	<u>(118,460)</u>	<u>(132,580)</u>
LOSS PER SHARE — Basic	14	<u>18.1cents</u>	<u>11.8cents</u>	<u>20.3cents</u>

Consolidated Balance Sheet

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	15	5,999	30,028
Investment properties	16	—	3,980
Goodwill	17	388	—
Interests in jointly-controlled entities	19	1,253	1,318
Interest in an associate	20	—	13,584
Long term investments	21	3,900	5,699
Loan to Acme Landis Operations Holdings Limited	22	3,700	—
		<u>15,240</u>	<u>54,609</u>
CURRENT ASSETS			
Inventories		137	23,231
Construction contracts	23	—	13,825
Loans to an associate	20	—	9,823
Accounts receivable	24	219	24,039
Prepayments, deposits and other receivables		2,450	8,558
Tax recoverable		—	277
Cash and cash equivalents	25	1,822	32,762
		<u>4,628</u>	<u>112,515</u>
CURRENT LIABILITIES			
Amount due to a jointly-controlled entity	19	1,234	—
Accounts payable, other payables and accruals	26	6,915	35,116
Interest-bearing bank loans	27	—	4,326
		<u>8,149</u>	<u>39,442</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>(3,521)</u>	<u>73,073</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,719	127,682
MINORITY INTERESTS		—	(829)
		<u>11,719</u>	<u>126,853</u>
CAPITAL AND RESERVES			
Issued capital	28	110,187	100,187
Reserves	30	(98,468)	26,666
		<u>11,719</u>	<u>126,853</u>

Consolidated Statement of Changes in Equity

	Notes	Issued share capital HK\$'000	Share premium account HK\$'000	Leasehold land and buildings revaluation reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001		100,100	237,182	2,876	7,324	(48,780)	(14)	(53,521)	245,167
Issue of shares	28	87	367	—	—	—	—	—	454
Exchange realignments		—	—	—	—	—	(2)	—	(2)
Share of exchange fluctuation reserve of an associate		—	—	—	—	—	(64)	—	(64)
Revaluation deficit		—	—	(242)	—	—	—	—	(242)
Net gains and losses not recognised in the profit and loss account		—	—	(242)	—	—	(66)	—	(308)
Net loss attributable to shareholders		—	—	—	—	—	—	(118,460)	(118,460)
At 31 December 2001 and 1 January 2002		100,187	237,549	2,634	7,324	(48,780)	(80)	(171,981)	126,853
Issue of shares	28	10,000	20,000	—	—	—	—	—	30,000
Share issue expenses	28	—	(2,519)	—	—	—	—	—	(2,519)
Share of exchange fluctuation reserve of an associate		—	—	—	—	—	66	—	66
Revaluation deficit	15	—	—	(37)	—	—	—	—	(37)
Released on disposal of subsidiaries		—	—	(2,597)	(7,324)	(27)	—	9,921	(27)
Net gains and losses not recognised in the profit and loss account		—	—	(2,634)	(7,324)	(27)	66	9,921	2
Net loss attributable to shareholders		—	—	—	—	—	—	(191,424)	(191,424)
Impairment of goodwill	20,30	—	—	—	—	48,807	—	—	48,807
At 31 December 2002		<u>110,187</u>	<u>255,030</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>(353,484)</u>	<u>11,719</u>
Reserves retained by:									
Company and subsidiaries		110,187	255,030	—	—	—	(14)	(353,419)	11,784
Jointly-controlled entities		—	—	—	—	—	—	(65)	(65)
At 31 December 2002		<u>110,187</u>	<u>255,030</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(14)</u>	<u>(353,484)</u>	<u>11,719</u>
Company and subsidiaries		100,187	237,549	2,634	7,324	(48,780)	(14)	(131,069)	167,831
Jointly-controlled entities		—	—	—	—	—	—	(50)	(50)
An associate		—	—	—	—	—	(66)	(40,862)	(40,928)
At 31 December 2001		<u>100,187</u>	<u>237,549</u>	<u>2,634</u>	<u>7,324</u>	<u>(48,780)</u>	<u>(80)</u>	<u>(171,981)</u>	<u>126,853</u>

Consolidated Cash Flow Statement

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(191,293)	(119,299)
Adjustments for:			
Share of profits and losses of:			
Jointly-controlled entities		65	15
An associate		13,991	(4,014)
Finance costs	11	37	458
Interest income	6, 7	(1,624)	(4,321)
Amortisation of goodwill	7	97	—
Depreciation	7	9,165	8,646
Deficit arising from revaluation of leasehold land and buildings	7	158	2,024
Deficit arising from revaluation of investment properties	7	350	1,020
Diminution in value of an investment property	7	—	4,000
Impairment loss of fixed assets	7	785	5,681
Provision for impairment in value of an unlisted investment		—	350
Provision for a loan to Acme Landis Operations Holdings Limited	22	42,115	—
Provision for bad debts	7	6,082	3,791
Provision for loans to an associate		14,216	—
Provision for impairment of goodwill		48,807	—
Loss on discontinued operations	8	4,615	—
Loss on disposal of fixed assets	7	410	2,541
Gain on disposal of a listed investment		—	(103)
Gain on disposal of a subsidiary		—	(76)
Negative goodwill recognised as income		—	(655)
Operating loss before working capital changes		(52,024)	(99,942)
Decrease in inventories		2,410	6,521
Decrease/(increase) in construction contracts		(94)	16,187
Decrease/(increase) in accounts receivable		(4,372)	11,541
Decrease in prepayments, deposits and other receivables		764	2,673
Decrease in accounts and bills payables		(11,266)	(1,542)
Increase/(decrease) in other payables and accruals		14,009	(5,257)
Increase/(decrease) in amounts due to contract customers		(641)	3,059
Decrease in fees in advance		—	(4,832)
Increase in deferred income		115	—
Decrease in customer deposits		(30)	(515)
Cash used in operations		(51,129)	(72,107)
Interest paid		(37)	(458)
Hong Kong profits tax refunded/(paid)		(77)	172
Net cash outflow from operating activities — Page 26		<u>(51,243)</u>	<u>(72,393)</u>

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>
Net cash outflow from operating activities — Page 25		(51,243)	(72,393)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,624	4,321
Purchases of fixed assets	15	(4,476)	(10,791)
Proceeds from disposal of fixed assets		7	908
Purchases of long term investments		—	(600)
Investment in a jointly-controlled entity		—	(1,170)
Advance from a jointly-controlled entity		1,234	—
Advances to an associate		(4,394)	(3,978)
Repayment of loan from a jointly-controlled entity		—	17
Acquisition of subsidiaries/business	31(b)	(103)	25
Disposal of subsidiaries	31(c)	(4,894)	10,987
Proceeds from disposal of a listed investment		<u>—</u>	<u>490</u>
Net cash inflow/(outflow) from investing activities		<u>(11,002)</u>	<u>209</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to minority shareholders		—	(339)
Proceeds from issue of share capital	28	30,000	—
Share issue expenses	28	(2,519)	—
New bank loans		4,424	5,000
Repayment of bank loans		<u>(600)</u>	<u>(12,688)</u>
Net cash inflow/(outflow) from financing activities		<u>31,305</u>	<u>(8,027)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(30,940)	(80,211)
Cash and cash equivalents at beginning of year		32,762	112,975
Effect of foreign exchange rate changes, net		<u>—</u>	<u>(2)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
— Page 27		<u><u>1,822</u></u>	<u><u>32,762</u></u>

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i> <i>(Restated)</i>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
— Page 26		<u>1,822</u>	<u>32,762</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	1,822	6,113
Time deposits with original maturity of less than three months when acquired	25	—	25,529
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	25	<u>—</u>	<u>1,120</u>
		<u>1,822</u>	<u>32,762</u>

Balance Sheet

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	18	786	102,177
Loan to Acme Landis Operations Holdings Limited	22	<u>3,700</u>	<u>—</u>
		<u>4,486</u>	<u>102,177</u>
CURRENT ASSETS			
Loans to an associate	20	—	8,919
Prepayments, deposits and other receivables		73	1,246
Cash and cash equivalents	25	<u>698</u>	<u>23,529</u>
		<u>771</u>	<u>33,694</u>
CURRENT LIABILITIES			
Other payables and accruals	26	<u>1,235</u>	<u>99</u>
NET CURRENT ASSETS/(LIABILITIES)			
		<u>(464)</u>	<u>33,595</u>
		<u>4,022</u>	<u>135,772</u>
CAPITAL AND RESERVES			
Issued capital	28	110,187	100,187
Reserves	30	<u>(106,165)</u>	<u>35,585</u>
		<u>4,022</u>	<u>135,772</u>

Notes to the Financial Statements

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 UNCERTAINTIES

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.

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.

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.

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.

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.

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.

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 $\frac{1}{3}$ %
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.

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.

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.

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.

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.

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.

(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)		Wireless communication business		Communication solutions consultancy services		Internet operations		Corporate and other		Eliminations		Consolidated		
	2002	2001	2002	2001	2002	2001	2002	2001	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	HK\$'000	HK\$'000	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	953	—	1,131	10,275	—	1,966	—	—	—	—	70,354	198,134	
Intersegment sales	26	78	—	—	—	—	—	—	480	4,690	—	8	—	—	(506)	(4,776)	—	—	
Other revenue	714	1,121	369	539	—	—	—	—	1	691	—	15	3	297	(313)	(167)	774	2,496	
Total revenue	39,600	80,663	20,627	46,809	9,152	60,159	953	—	1,612	15,656	—	1,989	3	297	(819)	(4,943)	71,128	200,630	
Segment results	443	(23,414)	(926)	(3,427)	(1,907)	(18,495)	(29,704)	(10,185)	(4,122)	(12,732)	(598)	(22,324)	(32,077)	(36,556)	(180)	(28)	(69,071)	(127,161)	
Interest income and unallocated gains																	1,624	4,321	
Provision for loan to Acme Landis Operations Holdings Limited																	(42,115)	—	
Provision for loans to to an associate																	(14,216)	—	
Provision for impairment of goodwill																	(48,807)	—	
Loss on discontinued operations																	(4,615)	—	
Loss from operating activities																	(177,200)	(122,840)	
Finance costs																	(37)	(458)	
Operating loss																	(177,237)	(123,298)	
Share of profits and losses of:																			
— Jointly-controlled entities							(32)	(10)					(33)	(5)			(65)	(15)	
— An associate													(13,991)	4,014			(13,991)	4,014	
Loss before tax																	(191,293)	(119,299)	
Tax																	309	570	
Loss before minority interests																	(190,984)	(118,729)	
Minority interests																	(440)	269	
Net loss from ordinary activities attributable to shareholders																	(191,424)	(118,460)	

(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	<u>64,797</u>	<u>174,939</u>	<u>5,557</u>	<u>23,195</u>	<u>—</u>	<u>—</u>	<u>70,354</u>	<u>198,134</u>
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	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
							<u>19,868</u>	<u>167,124</u>
Capital expenditure	<u>3,662</u>	<u>7,009</u>	<u>106</u>	<u>3,900</u>	<u>—</u>	<u>—</u>	<u>3,768</u>	<u>10,909</u>

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 HK\$'000	2001 HK\$'000
Turnover		
Continuing operations:		
Wireless Communication	952	—
Provision of communication solutions consultancy services	1,132	10,275
Internet operations	—	1,966
	<u>2,084</u>	<u>12,241</u>
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
	<u>68,270</u>	<u>185,893</u>
	<u><u>70,354</u></u>	<u><u>198,134</u></u>
Other revenue and gains		
Continuing operations:		
Interest income from related companies	664	—
Interest income on bank deposits	247	3,007
Others	3	935
	<u>914</u>	<u>3,942</u>
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
	<u>1,484</u>	<u>2,875</u>
	<u><u>2,398</u></u>	<u><u>6,817</u></u>

7. LOSS FROM OPERATING ACTIVITIES

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

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
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		<u>—</u>	<u>(145)</u>
Net pension contributions		<u>1,034</u>	<u>2,547</u>
		<u>39,579</u>	<u>75,516</u>
Cost of sales:			
Cost of inventories sold		40,765	82,078
Cost of services rendered		11,007	81,066
Stock provisions		<u>444</u>	<u>7,028</u>
		<u>52,216</u>	<u>170,172</u>
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		<u>(1,624)</u>	<u>(4,321)</u>

- * 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.

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	<u>(26,612)</u>	<u>(56,207)</u>	<u>(14,308)</u>	<u>(32,267)</u>	<u>(9,380)</u>	<u>(71,849)</u>	26	78	<u>(50,274)</u>	<u>(160,245)</u>
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	<u>(6,355)</u>	<u>10,323</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>			<u>(6,355)</u>	<u>10,323</u>
Loss from operating activities	(5,072)	(22,916)	(782)	(2,834)	(1,907)	(18,319)			(8,032)	(45,166)
Finance costs	<u>(171)</u>	<u>(962)</u>	<u>(9)</u>	<u>—</u>	<u>(127)</u>	<u>(593)</u>	271	1,097	<u>(36)</u>	<u>(458)</u>
Loss before tax	(5,243)	(23,878)	(791)	(2,834)	(2,034)	(18,912)			(8,068)	(45,624)
Tax	<u>(29)</u>	<u>805</u>	<u>(1)</u>	<u>285</u>	<u>—</u>	<u>—</u>			<u>(30)</u>	<u>1,090</u>
Loss before minority interests	(5,272)	(23,073)	(792)	(2,549)	(2,034)	(18,912)			(8,098)	(44,534)
Minority interests	<u>(443)</u>	<u>(546)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>			<u>(443)</u>	<u>(546)</u>
Net loss for the year	<u>(5,715)</u>	<u>(23,619)</u>	<u>(792)</u>	<u>(2,549)</u>	<u>(2,034)</u>	<u>(18,912)</u>			<u>(8,541)</u>	<u>(45,080)</u>

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 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
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
	<u>6,657</u>	<u>11,418</u>

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

	2002 Number of directors	2001 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
	<u>10</u>	<u>11</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing, other allowances and benefits in kind	4,773	6,915
Pension scheme contributions	<u>35</u>	<u>65</u>
	<u><u>4,808</u></u>	<u><u>6,980</u></u>

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	<u>—</u>	<u>1</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within one year or on demand	<u>37</u>	<u>458</u>

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

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

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

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 <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation:				
At beginning of year	15,400	31,110	3,747	50,257
Additions	—	4,476	—	4,476
Acquisition of subsidiaries (<i>note 31(b)</i>)	—	105	—	105
Disposals	—	(759)	(292)	(1,051)
Disposal of subsidiaries (<i>note 31(c)</i>)	(14,800)	(15,927)	(2,487)	(33,214)
Deficit on revaluation	<u>(600)</u>	<u>—</u>	<u>—</u>	<u>(600)</u>
At 31 December 2002	<u>—</u>	<u>19,005</u>	<u>968</u>	<u>19,973</u>
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 (<i>note 31(c)</i>)	—	(13,360)	(1,806)	(15,166)
Written back on revaluation	<u>(405)</u>	<u>—</u>	<u>—</u>	<u>(405)</u>
At 31 December 2002	<u>—</u>	<u>13,589</u>	<u>385</u>	<u>13,974</u>
Net book value:				
At 31 December 2002	<u>—</u>	<u>5,416</u>	<u>583</u>	<u>5,999</u>
At 31 December 2001	<u>15,400</u>	<u>13,033</u>	<u>1,595</u>	<u>30,028</u>

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.

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 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
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 (<i>note 31(c)</i>)	<u>(3,630)</u>	<u>(11,000)</u>
At end of year	<u>—</u>	<u>3,980</u>

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

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Medium term leases	—	1,180
Long term leases	<u>—</u>	<u>2,800</u>
	<u>—</u>	<u>3,980</u>

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.

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

Location	Lease terms	Use	Gross floor area <i>(sq. ft.)</i>	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 <i>HK\$'000</i>
Cost:	
Acquisition of subsidiaries during the year and as at 31 December 2002 <i>(note 31(b))</i>	485
Accumulated amortisation:	
Amortisation provided during the year and as at 31 December 2002	<u>97</u>
Net book value:	
At 31 December 2002	<u><u>388</u></u>

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

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
				2002	2001	
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
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

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
				2002	2001	
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	Ordinary	100*	100*	Investment holding
i100 Wireless (Hong Kong) Limited	Hong Kong	HK\$2	Ordinary	100*	100*	Wireless data service provider
OnAir100 Limited	Hong Kong	HK\$2	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
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

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
				2002	2001	
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
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

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
				2002	2001	
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 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets of jointly-controlled entities	1,231	1,296	—	—
Loan to a jointly-controlled entity	<u>22</u>	<u>22</u>	<u>—</u>	<u>—</u>
	<u>1,253</u>	<u>1,318</u>	<u>—</u>	<u>—</u>
Due to a jointly-controlled entity	<u>(1,234)</u>	<u>—</u>	<u>—</u>	<u>—</u>

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			Principal activities
			Ownership interest	Voting power	Profit sharing	
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 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 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 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Investment securities:				
Unlisted equity investments, at cost	3,900	6,048	—	—
Provision for impairment	—	(350)	—	—
	<u>3,900</u>	<u>5,698</u>	<u>—</u>	<u>—</u>
Other investments:				
Listed equity investments in Hong Kong, at market value	—	1	—	—
	<u>3,900</u>	<u>5,699</u>	<u>—</u>	<u>—</u>

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

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Loan to ALOH	45,815	—
Provision for loan to ALOH	<u>(42,115)</u>	<u>—</u>
	<u>3,700</u>	<u>—</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 share, any principal outstanding will be reduced to zero.

23. CONSTRUCTION CONTRACTS

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

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 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Current	85	8,641
1 to 3 months	133	12,926
Over 3 months	40	18,216
	<u>258</u>	<u>39,783</u>
Bad debt provision	(39)	(15,744)
	<u>219</u>	<u>24,039</u>

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 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	<u>1,822</u>	<u>32,762</u>	<u>698</u>	<u>23,529</u>

26. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

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

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

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

27. INTEREST-BEARING BANK LOANS

	Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans repayable within one year — secured	<u>—</u>	<u>4,326</u>

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
3,000,000,000 (2001: 3,000,000,000) ordinary shares of HK\$0.10 each	<u>300,000</u>	<u>300,000</u>
Issued and fully paid:		
1,101,873,000 (2001: 1,001,873,000) ordinary shares of HK\$0.10 each	<u>110,187</u>	<u>100,187</u>

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

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.

(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 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.

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⁾
						<i>HK\$</i>	<i>HK\$</i>
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
	<u>50,626,000</u>	<u>—</u>	<u>12,418,000</u>	<u>38,208,000</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 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 HK\$'000	Negative goodwill included in goodwill reserve HK\$'000
Cost:		
At 1 January 2002	(48,807)	27
Disposal of subsidiaries	<u>—</u>	<u>(27)</u>
At 31 December 2002	<u>(48,807)</u>	<u>—</u>
Accumulated impairment:		
At 1 January 2002	—	—
Impairment provided during the year	<u>48,807</u>	<u>—</u>
At 31 December 2002	<u>48,807</u>	<u>—</u>
Net amount:		
At 31 December 2002	<u>—</u>	<u>—</u>
At 31 December 2001	<u>(48,807)</u>	<u>27</u>

(b) **Company**

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<i>Note</i>				
At 1 January 2001	237,182	46,962	(134,033)	150,111
Issue of shares	28 367	—	—	367
Net loss attributable to shareholders	<u>—</u>	<u>—</u>	<u>(114,893)</u>	<u>(114,893)</u>
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	<u>—</u>	<u>—</u>	<u>(159,231)</u>	<u>(159,231)</u>
At 31 December 2002	<u>255,030</u>	<u>46,962</u>	<u>(408,157)</u>	<u>(106,165)</u>

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.

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

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
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		<u>(672)</u>	<u>(934)</u>
		18	1,109
Goodwill on acquisition	17	485	—
Negative goodwill on acquisition		<u>—</u>	<u>(655)</u>
		<u>503</u>	<u>454</u>

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.

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

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

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

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
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)	—
		<u>4,642</u>	<u>10,924</u>
Release of goodwill		(27)	—
Gain/(loss) on disposal of subsidiaries		<u>(4,615)</u>	<u>76</u>
		<u>—</u>	<u>11,000</u>
Satisfied by:			
Cash		<u>—</u>	<u>11,000</u>

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

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

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 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	—	558
In the second to fifth years, inclusive	—	406
	<u>—</u>	<u>964</u>

(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 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Within one year	911	7,930
In the second to fifth years, inclusive	—	3,567
	<u>911</u>	<u>11,497</u>

34. CAPITAL COMMITMENTS

	Group		Company	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Capital commitments contracted for:				
Capital injection related to the Group's interests in jointly-controlled entities and non wholly-owned subsidiaries	<u>24,238</u>	<u>24,238</u>	<u>—</u>	<u>—</u>

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	
	<i>Notes</i>	2002	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>
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
		<u> </u>	<u> </u>

- (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	<i>HK\$'000</i>
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
			<u> </u>
			<u> </u>
			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 Jeong, 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 Coppleshone 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.

- (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.

7. FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

Results

	2002	2001	2000	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>70,354</u>	<u>198,134</u>	<u>247,003</u>	<u>449,123</u>	<u>421,605</u>
Net profit/(loss) attributable to shareholders	<u>(191,424)</u>	<u>(118,460)</u>	<u>(132,580)</u>	<u>4,276</u>	<u>3,773</u>

Assets, liabilities and minority interests

	2002	2001	2000	1999	1998
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	5,999	30,028	39,161	26,878	39,030
Investment properties	—	3,980	20,000	23,300	23,200
Goodwill	388	—	—	—	—
Interests in jointly-controlled entities	1,253	1,318	180	—	—
Interest in an associate	—	13,584	10,155	—	—
Long term investments	3,900	5,699	5,836	1,551	1,551
Loan to Acme Landis Operations Holdings Limited	3,700	—	—	—	—
Current assets	<u>4,628</u>	<u>112,515</u>	<u>231,055</u>	<u>142,252</u>	<u>167,066</u>
Total assets	19,868	167,124	306,387	193,981	230,847
Total liabilities, all of which are current	8,149	39,442	59,783	57,416	81,543
Minority interests	<u>—</u>	<u>829</u>	<u>1,437</u>	<u>8</u>	<u>—</u>
	<u>11,719</u>	<u>126,853</u>	<u>245,167</u>	<u>136,557</u>	<u>149,304</u>

8. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company nor any subsidiaries have been prepared in respect of any period subsequent to 31 December, 2002.

9. STATEMENT OF PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is a statement of pro forma unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net asset value of the Group as at 31 December, 2002, after making the following adjustments:

	<i>HK\$'000</i>	<i>HK\$'000</i>
Audited consolidated net asset value of the Group as at 31 December, 2002		11,719
Less: Intangible assets of the Group, representing the net book value of the goodwill in respect of acquisitions of subsidiaries, as at 31 December, 2002		<u>(388)</u>
Audited consolidated net tangible asset value of the Group as at 31 December, 2002		11,331
Unaudited consolidated loss for the period from 1 January, 2003 to 30 June, 2003	(27,017)	
Less: Impairment loss recognised in respect of goodwill	<u>(388)</u>	<u>(26,629)</u>
		(15,298)
Add: Net proceeds from rights issue of Old Shares in August 2003		13,300
Net proceeds from placing of new Old Shares in October 2003		6,900
Net proceeds from placing of new Old Shares in November 2003		<u>8,400</u>
Pro forma adjusted consolidated net tangible asset value of the Group before the Rights Issue		13,302
Add: Estimated net proceeds of the Rights Issue		<u>73,200</u>
Pro forma adjusted consolidated net tangible asset value of the Group after the Rights Issue		<u>86,502</u>
		<i>HK\$</i>
Pro forma adjusted consolidated net tangible assets value per Old Share/Share:		
— based on 59,501,140 Old Shares in issue at the Latest Practicable Date before the Rights Issue		<u>0.224</u>
— based on 357,006,840 Shares in issue immediately following completion of the Rights Issue (assuming all Rights Shares are taken up by Qualifying Shareholders)		<u>0.242</u>

10. WORKING CAPITAL

Taking into account the plans and future prospects for the Group discussed in the section headed “Review of operations and prospects” set out on pages 15 and 16 of the Prospectus, the Directors are of the opinion that, with the internal resources and the expected net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements.

11. INDEBTEDNESS

At the close of business on 31 January, 2004, being the latest practicable date for ascertaining the indebtedness prior to the printing of the Prospectus, the Group had in aggregate outstanding borrowings of approximately HK\$25.6 million of which approximately HK\$4.3 million were secured by charges over shares of a wholly-owned subsidiary of the Company. The borrowings comprised loan from a wholly-owned subsidiary of Easyknit of approximately HK\$21.3 million, other loan of HK\$4.0 million and interest payable in respect of the above borrowings of approximately HK\$0.3 million.

A writ (including amendments thereto) has been issued against a wholly-owned subsidiary of the Company, details of which are set out in the section headed “Litigation” in Appendix II to the Prospectus. 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.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have at the close of business on 31 January, 2004 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

1. Interests in issued Old Shares

Name of Director	Nature of interest	Number of issued Old Shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	21,376,554	35.93%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	21,376,554	35.93%

Note: The Old Shares were beneficially owned by Landmark Profits which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was 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, was deemed to be interested in the 21,376,554 Old Shares by virtue of the SFO.

2. Interests in unissued Shares

Name of Director	Nature of interest	Number of unissued Shares	Approximate percentage of interest
Koon Wing Yee (<i>Note</i>)	Interest of spouse	106,882,770	35.93%
Lui Yuk Chu (<i>Note</i>)	Beneficiary of a trust	106,882,770	35.93%

Note: These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was 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, was deemed to be interested in the 106,882,770 Rights Shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors and chief executive of the Company was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

None of the Directors is interested in any assets which have been since 31 December, 2002 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of or leased to any member of the Group.

Save as disclosed in the section headed “Material Contracts” in this appendix, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any existing nor proposed service contracts with any member of the Group, save for the contracts which will expire or are terminable by the employer within one year without payment of compensation, other than statutory compensation.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company, the following persons (the “Substantial Shareholders”) (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other members of the Group, or had any options in respect of such shares are set out below:

A. Interests in issued Old Shares

Name of Substantial Shareholder	Nature of interest	Number of issued Old Shares	Approximate percentage of interest
Landmark Profits (<i>Note</i>)	Beneficial owner	21,376,554	35.93%
Easyknit (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93%
Magical Profits Limited (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93%
Accumulate More Profits Limited (<i>Note</i>)	Interest of controlled corporation	21,376,554	35.93%
Newcourt Trustees Limited (<i>Note</i>)	Trustee	21,376,554	35.93%
Au Yeung Man Yin	Beneficial owner	7,937,356	13.34%
Chan So Chun	Beneficial owner	6,198,500	10.42%

Note: These Old Shares were beneficially owned by Landmark Profits, which was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was 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).

B. Interests in unissued Shares

Name of Substantial Shareholder	Nature of interest	Number of unissued Shares
Landmark Profits (<i>Note a</i>)	Beneficial owner	106,882,770
Easyknit (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Magical Profits Limited (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Accumulate More Profits Limited (<i>Note a</i>)	Interest of controlled corporation	106,882,770
Newcourt Trustees Limited (<i>Note a</i>)	Trustee	106,882,770
Kingston (<i>Note b</i>)	Beneficial owner	50,000,000
Chu Yuet Wah (<i>Note b</i>)	Interest of controlled corporation	50,000,000
Ma Siu Fong (<i>Note b</i>)	Interest of controlled corporation	50,000,000
Get Nice Holdings Limited (<i>Note c</i>)	Interest of controlled corporation	95,593,180
Honeylink Agents Limited (<i>Note c</i>)	Interest of controlled corporation	95,593,180
Cheer Union (<i>Note d</i>)	Beneficial owner	50,000,000
Business Securities Limited (<i>Note e</i>)	Beneficial owner	61,593,180

Notes:

- (a) These are the Rights Shares which Landmark Profits has undertaken to accept in respect of its pro rata entitlement under the Rights Issue. Landmark Profits was a wholly-owned subsidiary of Easyknit. Magical Profits Limited was interested in approximately 36.74% of the issued share capital of Easyknit. Magical Profits Limited was wholly-owned by Accumulate More Profits Limited which in turn was 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).
- (b) These are the Rights Shares which Kingston has underwritten in respect of the Rights Issue. Kingston is a company controlled by Ms. Chu Yuet Wah and Ms. Ma Siu Fong. Accordingly, both of them are deemed to be interested in the Rights Shares in which Kingston has interest.
- (c) These are the Rights Shares which Get Nice has underwritten in respect of the Rights Issue. Get Nice is wholly-owned by Get Nice Incorporated. Honeylink Agents Limited and its non-wholly owned subsidiary, Get Nice Holdings Limited, through its wholly-owned subsidiary, Get Nice Incorporated, are deemed to be interested in Get Nice's interest in the Company by virtue of the SFO.
- (d) These are the Rights Shares which Cheer Union has underwritten in respect of the Rights Issue.
- (e) These are the Rights Shares which Business Securities Limited has sub-underwritten in respect of the Rights Issue from Get Nice.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such shares.

4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company and its subsidiaries within the two years immediately preceding the date of this Prospectus and are or may be material:

- (a) a share acquisition agreement dated 29 May, 2002 entered into between the Company and Mountial Investment Co. Ltd. (“Mountial”) relating to disposal of the entire issued share capital of Acme Landis Operations Holdings Limited (“ALOH”), formerly a wholly-owned subsidiary of the Company, for a consideration of HK\$1;
- (b) a deed of loan restructure dated 29 May, 2002 entered into between ALOH, Mountial and the Company to amend the terms of the original loan by the Company to ALOH in connection with an asset transfer agreement dated 20 May, 2000;
- (c) a deed of equitable mortgage of shares dated 29 May, 2002 entered into between the Company and Mountial relating to the pledge of 100 million shares by Mountial in the capital of the Company as security for the repayment of the outstanding loan under the deed of loan restructure dated 29 May, 2002 (as referred to in sub-paragraph (b) above);
- (d) a top-up subscription agreement dated 4 June, 2002 entered into between the Company and i100 Capital Corporation as subscriber relating to the subscription of 100 million new shares of the Company by the subscriber for a total consideration of HK\$28,934,831;
- (e) a sale and purchase agreement dated 23 August, 2002 entered into between Digital Empires Company Limited as vendor, solution100 Limited (a wholly-owned subsidiary of the Company) as purchaser, Chung Wai Keung, David, Chan Chun Hung, Addison, Lo Yuet Sun, Keymaster Management Limited, Time Matrix Holdings Limited, Major Circle Limited (collectively the “Vendor’s Guarantors”) and the Company relating to the acquisition of the entire share capital of Digital Empires Company Limited in consideration of a sum of HK\$502,500 and the allotment and issue to the Vendor’s Guarantors, credited as fully paid, a total of 2,500 shares of HK\$1.00 each in the capital of solution100 Limited;
- (f) a facility agreement dated 6 January, 2003 entered into between Copplestone Limited (a wholly-owned subsidiary of the Company) (“Copplestone”) as borrower and Acro Consulting Inc. as lender relating to a term loan facility of up to HK\$4,000,000 secured by all the shares in the share capital of i100 Wireless Corporation (a wholly-owned subsidiary of Copplestone);
- (g) a facility letter dated 24 January, 2003 entered into between the Company and Planetic International Limited (a wholly-owned subsidiary of Easyknit) (“Planetic”) in relation to the granting of the Easyknit Loan by Easyknit through Planetic to the Company;
- (h) an escrow agreement dated 24 January, 2003 entered into between the Company, Planetic and Messrs. Simmons & Simmons as escrow agent relating to the Easyknit Loan pursuant to the loan facility letter dated 24 January, 2003 (as referred to in sub-paragraph (g) above);

- (i) an underwriting agreement dated 30 July, 2003 entered into between the Company and Get Nice in relation to the rights issue of not less than 13,773,412 rights shares at a price of HK\$1.00 per rights share whereby Get Nice agreed to fully underwrite 6,988,494 rights shares under the rights issue;
- (j) a placing agreement dated 13 October, 2003 entered into between the Company and Get Nice in relation to the placing of 8,264,047 new shares at a price of HK\$0.865 per placing share whereby Get Nice agreed to fully underwrite all the placing shares;
- (k) a placing agreement dated 21 November, 2003 entered into between the Company and Kingston in relation to the placing of 9,916,856 new shares at a price of HK\$0.865 per placing share whereby Kingston agreed to fully underwrite all the placing shares; and
- (l) the Underwriting Agreement.

5. LITIGATION

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 alleged arrears of rental, management fees and rates plus any subsequent arrears of rent, management fees and rates until the date of delivery of 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, vacant possession of the premises was delivered to the landlord. An amended defence was filed into court on 22 December, 2003 to contest the legal proceedings.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries as at the Latest Practicable Date.

6. LEGAL EFFECT

The Prospectus, PAL and EAF and the acceptances of all of the offers or applications contained in these documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an acceptance or application is made pursuant to any of the above documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of sections 44A and 44B of the Companies Ordinance, so far as applicable.

7. MATERIAL ADVERSE CHANGES

The Directors are of the opinion that, save as publicly disclosed, there has not been any material adverse change in the financial or trading position of the Group since 31 December, 2002, being the date to which the latest published audited accounts of the Group were made up.

8. EXPENSES

The expenses in connection with the Rights Issue, including but not limited to financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to amount to approximately HK\$1.2 million and are payable by the Company.

9. DOCUMENTS REGISTERED BY THE REGISTRAR OF COMPANIES

A copy of this Prospectus with attached hereto the PAL and EAF and the written consent of Ernst & Young (the former auditors of the Company) to reproduce the auditors' report for the year ended 31 December, 2002, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

A copy of this Prospectus has been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

10. EXPERT

The following is the qualification of the expert who has been named in this Prospectus or has given its opinion or advice which is contained in this Prospectus:

Name	Qualification
Ernst & Young	Certified Public Accountants

Ernst & Young does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Ernst & Young has given and has not withdrawn its written consent to reproduce the auditors' report for the year ended 31 December, 2002 in this Prospectus.

Ernst & Young does not have any direct or indirect interests in any assets which have been, since 31 December, 2002 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

11. MISCELLANEOUS

The English text of this Prospectus shall prevail over the Chinese text in the case of any inconsistency between the two texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 7th Floor, Hong Kong Spinners Building, Phase 6, 481-483 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong up to and including 24 March, 2004:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Underwriting Agreement;
- (c) the letter of consent referred to in the paragraph headed "Expert" above;
- (d) the unaudited interim financial statements of the Company for the six months ended 30 June, 2003;
- (e) the audited financial statements of the Company for the years ended 31 December, 2001 and 31 December, 2002; and
- (f) the material contracts referred to in the section headed "Material Contracts" of this appendix.