

# Notes to the Financial Statements

For the year ended 31 March 2001



## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 42 to the financial statements.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements the directors have given careful consideration to the future liquidity of the Group. The Group is currently in breach of certain financial covenants in respect of its banking borrowings such that all bank borrowings have become technically repayable on demand. As a result of the above, the Group is currently dependent upon the support of its bankers.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### **Goodwill**

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Goodwill** (continued)

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of investments in subsidiaries and associates, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary and associate.

### **Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment losses recognised.

### **Interests in associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interests in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

### **Revenue recognition**

#### *Construction contracts*

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Revenue recognition (continued)

#### *Construction contracts (continued)*

When the outcome of construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

#### *Others*

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Sales proceeds on dealing of listed trading securities are recognised on a trade date basis.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less depreciation or amortisation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement 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 the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

Land and buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Land use rights are stated at cost less accumulated amortisation. The value of land use rights is amortised on a straight-line basis over the period of the lease.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings under medium lease in The People's Republic of China ("PRC")	4.5%
Leasehold improvements	Over the unexpired term of respective lease
Plant and machinery	9% – 15%
Furniture, fixtures and equipment	15%
Motor vehicles	30%
Computer software and hardware	15% – 30%

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amounts of property, plant and equipment, expected future cash flows are not discounted to their present values.

### Factory under construction

Factory under construction represents land use rights, construction cost of factory and production line and is stated at cost less any impairment loss identified. Cost includes development expenditure and other attributable expenses capitalised.

When the construction is completed, the factory and plant will be transferred to appropriate asset categories and depreciated in accordance with the Group's accounting policies.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that the value of work carried out to date bears to the estimated total value of work carried out for each contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals receivable and payable under operating leases are credited or charged to the income statement on a straight-line basis over the term of the relevant lease.

### Retirement benefit scheme

The Group operates two defined contribution provident funds for its employees. Contributions to the defined contribution schemes are charged to the income statement as incurred. Forfeited contributions are used to reduce the existing level of contributions.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation the financial statements of subsidiaries and associates which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

### Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash equivalents

Cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

## 4. TURNOVER

Turnover represents revenue generated on construction contracts, the net amounts received and receivable for goods sold by the Group to outside customers, less discounts allowed and goods returned, sale proceeds of trading securities and provision of IT services during the year as follows:

	THE GROUP			
	Revenue		Segment results	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
By activity:				
Wholesaling of marble and granite products and marble fittings	106,476,531	202,462,288	(130,286,975)	23,181,294
Proceeds from sale of trading securities	131,778,081	86,227,313	(160,811,790)	17,178,750
Revenue from construction contracts	89,271,827	190,485,384	(140,793,060)	36,211,250
Design and programming fee	6,212,250	–	6,212,250	–
Facilities management and maintenance fee	2,637,000	–	2,637,000	–
IT service income	164,700	–	136,592	–
	<u>336,540,389</u>	<u>479,174,985</u>	<u>(422,905,983)</u>	<u>76,571,294</u>
Other revenue			4,933,568	6,229,935
Net unrealised loss on trading securities			–	(9,502,327)
Selling and administrative expenses			(94,278,690)	(56,421,543)
Provision for doubtful debts			(107,263,718)	(5,869,134)
Loss on disposal of property, plant and equipment			(18,774,361)	(50,385)
Finance costs			(3,031,595)	(9,021,109)
Gain on disposal of associates			–	1,950,980
Net gain on deemed partial disposal of associates			37,180,050	–
Gain on partial disposal of subsidiaries			30,960,543	5,713,658
(Loss) gain on deemed partial disposal of subsidiaries			(9,407,007)	3,094,786
Share of loss of associates			(42,936,011)	(9,463,926)
(Loss) profit before taxation			<u>(625,523,204)</u>	<u>3,232,229</u>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 4. TURNOVER (continued)

By geographical segment:

	Revenue		Segment results	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Hong Kong	292,276,553	349,462,985	(307,023,274)	50,116,000
Other regions of The People's Republic of China	44,263,836	129,712,000	(115,882,709)	26,455,294
	<u>336,540,389</u>	<u>479,174,985</u>	<u>(422,905,983)</u>	<u>76,571,294</u>
Other revenue			4,933,568	6,229,935
Net unrealised loss on trading securities			–	(9,502,327)
Selling and administrative expenses			(94,278,690)	(56,421,543)
Provision for doubtful debts			(107,263,718)	(5,869,134)
Loss on disposal of property, plant and equipment			(18,774,361)	(50,385)
Finance costs			(3,031,595)	(9,021,109)
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Gain on partial disposal of subsidiaries			30,960,543	5,713,658
(Loss) gain on deemed partial disposal of subsidiaries			(9,407,007)	3,094,786
Share of loss of associates			(42,936,011)	(9,463,926)
			<u>(625,523,204)</u>	<u>3,232,229</u>

## 5. COST OF SALES

Included in cost of goods sold is an amount of HK\$130,157,173 (2000:HK\$Nil) in respect of a provision of finished goods and work in progress arising from stock obsolescence.



# Notes to the Financial Statements

For the year ended 31 March 2001



## 6. OTHER REVENUE

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Interest earned on bank deposits	1,489,320	1,796,005
Interest earned on other advances	1,415,137	2,809,129
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Interest income for the year	2,904,457	4,605,134
Sundry income	2,029,111	1,624,801
	<hr/>	<hr/>
	<b>4,933,568</b>	<b>6,229,935</b>
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## 7. (LOSS) PROFIT FROM OPERATIONS

	THE GROUP	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
(Loss) profit from operations is arrived at after charging (crediting):		
Staff costs:		
– Directors' emoluments ( <i>note 9</i> )	7,371,981	2,898,718
– Contribution to retirement benefit scheme excluding HK\$247,800 (2000: HK\$96,280) included in directors' emolument	2,211,612	229,876
– Other	37,202,483	24,302,464
	<hr/>	<hr/>
	46,786,076	27,431,058
Depreciation	12,872,184	10,561,094
Auditors' remuneration		
Current year provision	762,938	592,051
Less: Overprovision in prior year	–	(5,700)
	<hr/>	<hr/>
	762,938	586,351
Net foreign exchange gains	(357,232)	(230,944)
Operating leases charges:		
– Premises	4,320,968	3,002,198
– Other assets	166,667	166,667
Bad debts	762,938	–
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# Notes to the Financial Statements

For the year ended 31 March 2001



## 8. FINANCE COSTS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Interest on bank loans and overdrafts and other borrowings wholly repayable within five years	<u>3,031,595</u>	<u>9,021,109</u>

## 9. DIRECTORS' EMOLUMENTS

	THE GROUP	
	2001	2000
	HK\$	HK\$
Directors' fees:		
– Executive	–	–
– Independent non-executive	–	–
	<u>–</u>	<u>–</u>
Other emoluments:		
– Executive		
– Salaries and other benefit	7,124,181	2,802,438
– Contributions to retirement benefit schemes	247,800	96,280
– Independent non-executive	–	–
	<u>7,371,981</u>	<u>2,898,718</u>
Total emoluments	<u>7,371,981</u>	<u>2,898,718</u>

The emoluments of the directors were within the following bands:

	2001	2000
	No. of	No. of
	Directors	Directors
HK\$Nil to HK\$1,000,000	9	11
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	–	–
HK\$2,000,001 to HK\$2,500,000	–	–
HK\$2,500,001 to HK\$3,000,000	–	–
Over HK\$3,000,000	1	–
	<u>11</u>	<u>11</u>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2000: four) were directors of the Company whose emoluments are included in the disclosures in note 9 above. The emoluments of the remaining two individuals (2000: one) were as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	<b>HK\$</b>
Salaries and other benefit	<b>1,869,528</b>	646,000
Contributions to retirement benefit schemes	<b>73,394</b>	24,000
	<b><u>1,942,922</u></b>	<u>670,000</u>

Their emoluments were within the following bands:

	<b>2001</b>	2000
	<b>No. of employees</b>	No. of employees
HK\$Nil to HK\$1,000,000	<b>1</b>	1
HK\$1,000,001 to HK\$1,500,000	<b>1</b>	–
	<b><u>2</u></b>	<u>1</u>

## 11. RETIREMENT BENEFIT SCHEME

	<b>2001</b>	2000
	<b>HK\$</b>	<b>HK\$</b>
The Company and its subsidiaries in Hong Kong		
Contributions due	<b>303,026</b>	326,156
Less: Forfeited amount	–	–
	<b><u>303,026</u></b>	<u>326,156</u>
Contributions paid	<b><u>303,026</u></b>	<u>326,156</u>

The Group has two defined contribution provident fund schemes for its Hong Kong employees. The scheme assets of the first scheme are being held under a provident fund operated by The Prudential Assurance Company Limited with BOCI-Prudential Trustee Limited as Trustee (the "Old ORSO Scheme"). The second one is operated by CMG Asia Pensions and Retirement Limited with Butterfield Trust (Hong Kong) Limited as Trustee (the "New ORSO Scheme").

# Notes to the Financial Statements

For the year ended 31 March 2001



## 11. RETIREMENT BENEFIT SCHEME (continued)

The Group is required to make contributions to the above schemes calculated at 5% of the employees' basic salaries and commissions on a monthly basis. The Old ORSO Scheme was granted an exemption from the Mandatory Provident Fund Schemes Authority on 20 July 2000. Under the Old ORSO Scheme, the employees are entitled to 100% of the employers' contributions and the accrued interest after 12 years of completed service, or at a vesting scale of between 30% and 100% after completion of 5 to 12 years' service. With effect from 1 October 2000, the Group participates in the New ORSO Scheme, which was granted an exemption from the Mandatory Provident Fund Schemes Authority on 22 June 2001. Under the New ORSO Scheme, the employees are entitled to 100% of the employers' contributions and the accrued interest after 10 years of completed service, or at a vesting scale of between 30% to 100% after completion of 3 to 10 years' service. The forfeited contributions and related accrued interest can be used to reduce the employers' contributions. The principal deed and the rules of the above provident fund schemes were amended accordingly to comply with the rules of the Mandatory Provident Fund Schemes Ordinance.

With effect from 1 December 2000, the Group also participates in a mandatory provident fund scheme. The scheme assets are held under a mandatory provident fund operated by CMG Asia Pensions and Retirement Limited. Under the scheme, the Group is required to make contributions to the scheme calculated at 5% of the employees' relevant income (as defined in the Mandatory Provident Fund Schemes Ordinance) on a monthly basis.

The employees entitled to the defined contribution provident fund schemes before 1 December 2000 were allowed an option between joining the mandatory provident fund scheme or continuing to making contributions to the New ORSO Scheme. All newly employed employees are required to join the mandatory provident fund scheme or the New ORSO Scheme. The Group is required to make contributions to either of the two types of schemes according to the employees' options.

At the balance sheet date, there were no forfeited contributions available to offset future employers' contributions to the schemes (2000: HK\$Nil).

## 12. NET GAIN ON DEEMED PARTIAL DISPOSAL OF ASSOCIATES

Included in the net gain on deemed partial disposal of associates is HK\$37,179,819 gain on dilution of the Group's interest in hkcyber.com (Holdings) Limited upon its issuing of shares to the public when it was listed on the Stock Exchange during the year.

## 13. GAIN (LOSS) ON PARTIAL DISPOSAL/DEEMED PARTIAL DISPOSAL OF SUBSIDIARIES

During the year, the Group underwent a reorganisation so as to introduce certain strategic investors into its information technology sector. Accordingly, the Group sold certain interests in its subsidiaries to these strategic investors for cash and certain subsidiaries placed shares to these strategic investors for cash, resulting in a gain on partial disposal of subsidiaries of HK\$30,960,543 and a loss on deemed partial disposal of subsidiaries of HK\$9,407,007.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 14. TAXATION

	THE GROUP	
	2001	2000
	HK\$	HK\$
The charge comprises:		
Profit for the year		
Hong Kong	–	5,831,885
Other jurisdictions	<u>36,257</u>	<u>93,109</u>
	<u>36,257</u>	<u>5,924,994</u>
Prior years		
Hong Kong	<u>10,451</u>	<u>(1,084,931)</u>
Deferred taxation		
Current year	<u>(17,023)</u>	<u>(54,692)</u>
Taxation attributable to the Company and its subsidiaries	<u><u>29,685</u></u>	<u><u>4,785,371</u></u>

Hong Kong profits tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year. PRC income tax has been provided for at the applicable rates on the estimated assessable profits of the PRC subsidiaries. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the deferred tax charge provided for in the year are set out in note 34.

## 15. NET (LOSS) PROFIT FOR THE YEAR

Of the Group's loss for the year of HK\$601,928,592 (2000: profit of HK\$5,431,283), a loss of HK\$640,782,065 (2000: profit of HK\$5,078,214) has been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 16. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the following data:

	THE GROUP	
	2001	2000
	HK\$	HK\$
(Loss) profit for the year for the purpose of basic (loss) earnings per share	<u>(601,928,592)</u>	<u>5,431,283</u>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>3,662,900,801</u>	2,882,499,030
Effect of dilutive potential ordinary shares		
Warrants		17,511,214
Share options		<u>764,364</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u>2,900,774,608</u>

No diluted loss per share for the year has been presented as the exercise of the Company's outstanding warrants and options during the year would have decreased the loss per share.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 17. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK\$	Leasehold improve- ments HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Computer hardware HK\$	Computer software HK\$	Total HK\$
<b>THE GROUP</b>								
<b>COST</b>								
At 1 April 2000	58,816,212	3,397,079	57,464,920	12,848,654	3,301,977	7,671,586	1,108,875	144,609,303
Transferred from factory under construction	-	-	9,545,782	-	-	-	-	9,545,782
Additions during the year	6,799	391,782	985,600	951,758	-	3,574,191	602,650	6,512,780
Disposals during the year	(27,777,778)	(191,309)	(9,886,512)	(2,261,134)	(40,500)	(261,480)	-	(40,418,713)
Exchange adjustment	106,696	-	188,598	1,964	1,386	-	-	298,644
<b>At 31 March 2001</b>	<b>31,151,929</b>	<b>3,597,552</b>	<b>58,298,388</b>	<b>11,541,242</b>	<b>3,262,863</b>	<b>10,984,297</b>	<b>1,711,525</b>	<b>120,547,796</b>
<b>DEPRECIATION</b>								
At 1 April 2000	9,839,893	1,595,422	13,762,179	5,566,067	2,874,438	342,348	59,617	34,039,964
Charge for the year	3,963,242	694,072	4,524,073	1,485,071	336,923	1,455,624	413,179	12,872,184
Write back on disposals	(8,931,943)	(78,023)	(1,464,438)	(1,205,046)	(40,500)	(41,221)	-	(11,761,171)
Exchange adjustment	12,762	-	39,799	892	821	-	-	54,274
<b>At 31 March 2001</b>	<b>4,883,954</b>	<b>2,211,471</b>	<b>16,861,613</b>	<b>5,846,984</b>	<b>3,171,682</b>	<b>1,756,751</b>	<b>472,796</b>	<b>35,205,251</b>
<b>NET BOOK VALUES</b>								
<b>At 31 March 2001</b>	<b>26,267,975</b>	<b>1,386,081</b>	<b>41,436,775</b>	<b>5,694,258</b>	<b>91,181</b>	<b>9,227,546</b>	<b>1,238,729</b>	<b>85,342,545</b>
At 31 March 2000	48,976,319	1,801,657	43,702,741	7,282,587	427,539	7,329,238	1,049,258	110,569,339

The land and buildings are situated in the PRC and held under medium term lease.

## 18. FACTORY UNDER CONSTRUCTION

	<b>THE GROUP 2001 HK\$</b>
<b>AT COST</b>	
Beginning balance	<b>470,425</b>
Additions during the year	<b>9,073,728</b>
Transferred to property, plant and equipment during the year	<b>(9,545,782)</b>
Exchange adjustment	<b>1,629</b>
Ending balance	<b>-</b>

The factory under construction is situated in the PRC and held under medium term lease.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
Investments at cost less impairment loss:		
Unlisted shares	<u>1,549</u>	<u>220,803,043</u>

Details of the subsidiaries are set out in note 42.

## 20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$	HK\$
Share of net assets	<u>26,062,943</u>	<u>34,170,019</u>

Details of the Company's associates as at 31 March 2001 are as follows:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Company indirectly %	Nature of business
* Top Rich Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Development and operation of a horoscope portal
Viomax Group Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	34.44	Investment holding
HK Stock Limited 股壇追擊有限公司	Incorporated	Hong Kong	Hong Kong	Ordinary	34.44	Operation of a stock trading platform on Internet
Mr. Master Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	34.44	Inactive
hkcyber.com (Holdings) Limited	Incorporated	Cayman Islands	Hong Kong	Ordinary	27.51	Investment holding
* Topstyle Publishing Limited 卓訊出版有限公司	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Project development



# Notes to the Financial Statements

For the year ended 31 March 2001



## 20. INTERESTS IN ASSOCIATES (continued)

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital held by the Company indirectly %	Nature of business
* Gameplayers.com Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Development and operation of an online game portal
* Prime Key Assets Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	49	Investment holding
* That's Interactive Limited 特藝多媒體有限公司	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Magazine publication
* Welton Information Limited 緯通資訊有限公司	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Magazine publication
* Cineaste International Limited 遊戲誌有限公司	Incorporated	Hong Kong	Hong Kong	Ordinary	49	Magazine publication
* Champion Asset Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	36.75	Magazine publication
* Beltway Enterprises Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	43.61	Logistic service
HKCyber Limited	Incorporated	Hong Kong	Hong Kong	Ordinary	27.51	Development and operation of a website "hkcyber.com"
* Tober Group Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	27.51	Inactive
* Cyber Peak Developments Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	27.51	Investment holding
* Cyber Awake Limited	Incorporated	The British Virgin Islands	Hong Kong	Ordinary	16.51	Inactive

\* The financial statements are not audited by Deloitte Touche Tohmatsu.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 20. INTERESTS IN ASSOCIATES (continued)

The following details have been extracted from the audited financial statements of the Group's significant associate.

### Results for the year

	<b>hkcyber.com</b>	
	<b>(Holdings) Limited</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Turnover	<b>11,396,022</b>	–
Loss from ordinary activities before taxation	<b>87,274,723</b>	19,945,147
Loss from ordinary activities before taxation attributable to the Group	<b><u>15,587,265</u></b>	<u>3,219,146</u>
Financial position		
Non-current assets	<b>67,739,001</b>	6,858,631
Current assets	<b>41,750,919</b>	39,985,001
Current liabilities	<b><u>(6,604,857)</u></b>	<u>(13,764,105)</u>
Net assets	<b><u>102,885,063</u></b>	<u>33,079,527</u>
Net assets attributable to the Group	<b><u>18,375,272</u></b>	<u>5,339,035</u>

## 21. INVESTMENTS IN SECURITIES

### THE GROUP AND THE COMPANY

	<b>Trading securities</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Equity securities:		
Listed – Hong Kong	–	74,039,240
Market value of listed securities	<u>–</u>	<u>74,039,240</u>
Carrying amount analysed for reporting purposes as:		
Current	<u>–</u>	<u>74,039,240</u>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 22. LOAN RECEIVABLE

The amount is secured, interest bearing at prime rate plus 1% per annum and repayable on demand.

## 23. INVENTORIES

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
Consumable stores	<b>470,630</b>	639,890
Raw materials	<b>21,311,417</b>	31,970,055
Work in progress	<b>1,195,434</b>	1,685,037
Finished goods and general merchandise	<b>70,308,229</b>	199,779,135
	<b><u>93,285,710</u></b>	<u>234,074,117</u>

All inventories, excluding those fully provided for with nil carrying value, are stated at cost.

The cost of inventories recognised as an expense during the year was HK\$296,500,351 (2000: HK\$211,515,494).

## 24. AMOUNT DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$</b>	HK\$
<b>Contract in progress at the balance sheet date</b>		
Contracts cost incurred plus recognised profits		
less recognised losses	<b>164,173,504</b>	791,723,571
Less: Progress billings	<b>(168,253,229)</b>	(789,210,932)
	<b><u>(4,079,725)</u></b>	<u>2,512,639</u>
Analysed for reporting purposes as:		
Amounts due from contract customers	<b>4,216,319</b>	5,650,877
Amounts due to contract customers	<b>(8,296,044)</b>	(3,138,238)
	<b><u>(4,079,725)</u></b>	<u>2,512,639</u>

At 31 March 2001, retentions held by customers for contract works amounted to HK\$8,870,561 (2000: HK\$9,767,273).

# Notes to the Financial Statements

For the year ended 31 March 2001



## 25. AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$	HK\$
The balances comprise:		
Interest free current accounts ( <i>note a</i> )	139,723,142	379,727,140
Interest bearing current account ( <i>note b</i> )	–	12,500,000
	<u>139,723,142</u>	<u>392,227,140</u>

(a) Interest free current accounts are unsecured and have no fixed repayment term.

(b) Interest bearing current account is unsecured, repayable on demand and bears interest at 13.5% per annum.

## 26. AMOUNTS DUE FROM ASSOCIATES

The amounts are in the nature of current accounts which are interest free, unsecured and repayable on demand.

## 27. TRADE DEBTORS

The Group does not define a fixed credit policy.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2001	2000
	HK\$	HK\$
Within 60 days	11,993,686	140,502,389
61 – 90 days	7,932,641	18,483,418
Over 90 days	8,807,500	42,819,227
	<u>28,733,827</u>	<u>201,805,034</u>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 28. TRADE CREDITORS

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2001 HK\$	2000 HK\$
Within 60 days	3,762,947	4,573,670
61 – 90 days	2,011,820	258,955
Over 90 days	538,294	558,866
	<u>6,313,061</u>	<u>5,391,491</u>

## 29. LONG TERM BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Other long term loans – unsecured	<u>–</u>	<u>12,500,000</u>	<u>–</u>	<u>12,500,000</u>
The maturity of the above loans is as follows:				
On demand or within one year	–	12,500,000	–	12,500,000
Less: Amounts due within one year shown under current liabilities	<u>–</u>	<u>(12,500,000)</u>	<u>–</u>	<u>(12,500,000)</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

No interest was capitalised by the Group during the year.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 30. SHARE CAPITAL

	Number of shares		Share capital	
	2001	2000	2001 HK\$	2000 HK\$
<i>Authorised:</i>				
At the beginning of the year				
Ordinary shares of HK\$0.02 each	<b>5,000,000,000</b>	850,000,000	<b>100,000,000</b>	85,000,000
Increase in authorised share capital of HK\$0.02 each (note a)	<b>2,000,000,000</b>	150,000,000	<b>40,000,000</b>	15,000,000
	<b>7,000,000,000</b>	1,000,000,000	<b>140,000,000</b>	100,000,000
Increase in number of shares by sub-division of shares from HK\$0.10 to HK\$0.02 each	–	4,000,000,000	–	–
At the end of the year				
Ordinary shares of HK\$0.02 (2000: HK\$0.02) each	<b>7,000,000,000</b>	5,000,000,000	<b>140,000,000</b>	100,000,000
<i>Issued and fully paid:</i>				
At the beginning of the year				
Ordinary shares of HK\$0.02 (2000: HK\$0.02) each	<b>3,428,914,945</b>	529,677,989	<b>68,578,299</b>	52,967,799
Issue of shares (notes b, c & d)	<b>676,909,722</b>	130,000,000	<b>13,538,194</b>	13,000,000
Exercise of share options	<b>1,275,000</b>	1,105,000	<b>25,500</b>	110,500
Exercise of warrants	–	25,000,000	–	2,500,000
	<b>4,107,099,667</b>	685,782,989	<b>82,141,993</b>	68,578,299
Increase in number of shares by sub-division of shares from HK\$0.10 to HK\$0.02 each	–	2,743,131,956	–	–
At the end of the year				
Ordinary shares of HK\$0.02 (2000: HK\$0.02) each	<b>4,107,099,667</b>	3,428,914,945	<b>82,141,993</b>	68,578,299

# Notes to the Financial Statements

For the year ended 31 March 2001



## 30. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to an ordinary resolution of the Company passed at a special general meeting held on 16 February 2001, the authorised share capital of the Company was increased from HK\$100 million to HK\$140 million by the creation of an additional 2,000 million ordinary shares of HK\$0.02 each.
- (b) An agreement dated 3 April 2000 and a supplemental agreement dated 28 April 2000 were entered into between, among others, Leading Pro Limited and ChinaGo.com Limited, pursuant to which the Company issued 26,909,722 shares at the issue price of HK\$0.288 per share to acquire 2.02% of the enlarged share capital of ChinaGo.com Limited. The transaction was completed on 17 November 2000.
- (c) On 30 October 2000, a placing agreement was entered into between the Company, Shiu & Leung Enterprises Ltd. ("Shiu & Leung") and a placing agent and a conditional subscription agreement was entered into between the Company and Shiu & Leung, pursuant to which Shiu & Leung sold 260,000,000 existing issued shares of HK\$0.02 each in the share capital of the Company to professional, institutional and individual investors through a private placement at a price of HK\$0.154 per share and the Company agreed to issue 260,000,000 new shares to Shiu & Leung at the same price. The Company intended to use the estimated net proceeds of the subscription of approximately HK\$38.5 million as to approximately HK\$20 million to repay bank borrowing and as to the remaining balance for the Company's working capital. The placement and subscription of shares were completed on 2 November 2000 and 10 November 2000 respectively.
- (d) On 25 November 2000, a placing agreement was entered into between the Company, Companion Building Material (Holdings) Limited ("CBM") and the placing agents and a conditional subscription agreement was entered into between the Company and CBM, pursuant to which CBM sold 390,000,000 existing issued shares of HK\$0.02 each in the share capital of the Company to professional, institutional and individual investors through a private placement at a price of HK\$0.146 per share and the Company agreed to issue 390,000,000 new shares to CBM at the same price. The Company intended to use the estimated net proceeds of the subscription of approximately HK\$55.3 million as to approximately HK\$50 million to provide funding for the operation of its existing websites and as to the remaining balance for the Company's working capital. The placement and subscription of shares were completed on 30 November 2000 and 8 December 2000 respectively.

## 31. WARRANTS

### Unlisted warrants

On 7 January 1999, pursuant to the settlement agreement between the Company and the holders of the unsecured convertible notes issued in 1997, the Company issued to the holders of the convertible notes for no consideration 25 million warrants (the "Warrants") in registered form to subscribe in aggregate up to a maximum amount of HK\$9.5 million, HK\$10 million and HK\$10.5 million for the shares of the Company ("Shares") at a subscription price per Share of HK\$0.38 during the first, second and third anniversaries, HK\$0.4 during the fourth anniversary and HK\$0.42 during the fifth anniversary of the date of issue of the Warrants respectively, subject to adjustment. The Shares to be issued upon subscription of the Warrants will rank *pari passu* in all respects with the Shares in issue at the date of subscription, exclusive of dividend and distribution declared prior to the date of exercise of the subscription rights of the Warrants. The Warrants are not listed on the Stock Exchange or any other stock exchanges. The Warrants will not be assignable or transferable without the consent to the Stock Exchange and the Bermuda Monetary Authority.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 31. WARRANTS (continued)

### Listed warrants

On 6 October 1999, the Company issued 83,525,427 units of warrants by way of bonus to shareholders on the basis of one warrant for every seven ordinary shares of HK\$0.10 each held. Each warrant entitles the holder to subscribe for one ordinary share at an initial subscription price of HK\$0.70 per share, subject to adjustment, at any time from 23 March 2001 to 7 April 2001, both dates inclusive. As a result of sub-division of shares on 28 March 2000, the subscription price had been adjusted to HK\$0.14 with effect from the date of sub-division.

## 32. SHARE OPTION SCHEME

On 1 April 1996, a share option scheme (the "Scheme") was approved by the shareholders under which the directors may grant options to employees of the Group, including any directors of the Group, to subscribe for shares in the Company. The subscription price will be determined by the board of directors and will not be less than 80% of the average of the closing prices of the shares on the Stock Exchange on the five business days immediately preceding the date of the option or the nominal value of the shares, whichever is the higher. The maximum number of shares in respect of which options may be granted under the Scheme may not exceed 10% of the share capital of the Company in issue from time to time. An option may be exercised in whole or in part in accordance with the terms of the Scheme at any time after the date on which the option is deemed to be granted and exercised before the date, which is three years after such date.



# Notes to the Financial Statements

For the year ended 31 March 2001



## 32. SHARE OPTION SCHEME (continued)

A summary of movements in the options during the year under the Scheme are as follows:

Capacity	Exercisable period	Exercise price per share HK\$	Number of share option					Outstanding at 31.3.2001
			Outstanding at 1.4.2000	Granted during the year	Exercised	Lapsed during the year	Reclassification due to change of capacity	
Director	15.2.2001 to 14.2.2004	0.039	-	50,000,000	-	-	-	50,000,000
Directors	1.3.2000 to 28.2.2003	0.304	90,000,000	-	-	-	(45,000,000)	45,000,000
Employee	27.8.1997 to 26.8.2000	0.2904	15,000,000	-	-	(15,000,000)	-	-
Employee	29.12.1999 to 28.12.2002	0.2388	9,475,000	-	(1,275,000)	-	-	8,200,000
Employee	1.3.2000 to 28.2.2003	0.304	-	-	-	-	45,000,000	45,000,000
			<u>114,475,000</u>	<u>50,000,000</u>	<u>(1,275,000)</u>	<u>(15,000,000)</u>	<u>-</u>	<u>148,200,000</u>

The Company received nominal consideration for share options granted during the year.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 33. RESERVES

	Exchange reserve HK\$	Share premium account HK\$	Contributed surplus HK\$	Capital redemption reserve HK\$	Goodwill surplus HK\$	Accumulated profits (loss) HK\$	Total HK\$
<b>THE GROUP</b>							
At 1 April 1999	(344,997)	135,955,938	180,801,494	255,000	-	122,384,151	439,051,586
Shares issued at premium	-	260,708,870	-	-	-	-	260,708,870
Shares issue expenses	-	(5,981,969)	-	-	-	-	(5,981,969)
Goodwill on acquisition of additional interest of subsidiaries	-	-	-	-	(47,371,746)	-	(47,371,746)
Goodwill on acquisition of associates	-	-	-	-	(16,962,156)	-	(16,962,156)
Changes in reserve arising from dilution of interest in a subsidiary	-	-	-	-	1,057,083	-	1,057,083
Net profit for the year	-	-	-	-	-	5,431,283	5,431,283
Exchange difference on translation of overseas subsidiary	1,157,054	-	-	-	-	-	1,157,054
At 31 March 2000	812,057	390,682,839	180,801,494	255,000	(63,276,819)	127,815,434	637,090,005
Shares issued at premium	-	91,470,775	-	-	-	-	91,470,775
Shares issue expenses	-	(2,711,044)	-	-	-	-	(2,711,044)
Goodwill on acquisition of additional interest of a subsidiary	-	-	-	-	(34,035,813)	-	(34,035,813)
Goodwill on acquisition of a subsidiary	-	-	-	-	(4,545,711)	-	(4,545,711)
Goodwill on acquisition of associates	-	-	-	-	(4,182,124)	-	(4,182,124)
Net loss for the year	-	-	-	-	-	(601,928,592)	(601,928,592)
Exchange difference on translation of overseas subsidiary	208,156	-	-	-	-	-	208,156
<b>At 31 March 2001</b>	<b>1,020,213</b>	<b>479,442,570</b>	<b>180,801,494</b>	<b>225,000</b>	<b>(106,040,467)</b>	<b>(474,113,158)</b>	<b>81,365,652</b>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 33. RESERVES (continued)

	Share premium account <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Accumulated profits (loss) <i>HK\$</i>	Total <i>HK\$</i>
<b>THE COMPANY</b>					
At 1 April 1999	135,955,938	180,801,494	255,000	32,899,564	349,911,996
Shares issued at premium	260,708,870	–	–	–	260,708,870
Share issue expenses	(5,981,969)	–	–	–	(5,981,969)
Net profit for the year	–	–	–	5,078,214	5,078,214
At 31 March 2000	390,682,839	180,801,494	255,000	37,977,778	609,717,111
Shares issued at premium	91,470,775	–	–	–	91,470,775
Share issue expenses	(2,711,044)	–	–	–	(2,711,044)
Net loss for the year	–	–	–	(640,782,065)	(640,782,065)
<b>At 31 March 2001</b>	<b><u>479,442,570</u></b>	<b><u>180,801,494</u></b>	<b><u>255,000</u></b>	<b><u>(602,804,287)</u></b>	<b><u>57,694,777</u></b>

The loss of the Group included loss of HK\$52,399,937 (2000: HK\$9,463,926) retained by associates of the Group.

The contributed surplus represents the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the Group reorganisation prior to the listing of the Company's shares in 1996.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 33. RESERVES (continued)

In the opinion of the directors, the Company's reserves available for distribution to shareholders were as follows:

	2001 HK\$	2000 HK\$
Contributed surplus	180,801,494	180,801,494
Accumulated (loss) profits	(602,804,287)	37,977,778
Capital redemption reserve	255,000	255,000
	<u>(421,747,793)</u>	<u>219,034,272</u>

The Company had no reserves available for distribution.

## 34. DEFERRED TAXATION

	THE GROUP	
	2001 HK\$	2000 HK\$
Balance at beginning of year	17,023	71,715
Charge for the year	(17,023)	(54,692)
	<u>–</u>	<u>17,023</u>

At the balance sheet date, the major components of the deferred taxation liabilities provided are as follows:

	THE GROUP	
	2001 HK\$	2000 HK\$
Tax effect of timing differences because of excess of tax allowances over depreciation	–	17,023

Effect on other timing difference of unprovided deferred tax is immaterial.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 35. RECONCILIATION OF (LOSS) PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	THE GROUP	
	2001 HK\$	2000 HK\$
(Loss) profit before taxation	(625,523,204)	3,232,229
Interest expenses	3,031,595	9,021,109
Interest income	(2,904,457)	(4,605,134)
Share of loss of associates	42,936,011	9,463,926
Depreciation	12,872,184	10,561,094
Net unrealised loss on trading securities	–	9,502,327
Unrealised loss on non-trading securities	–	50,000
Provision for doubtful debts	107,263,718	5,869,134
Provision for inventories	130,157,173	–
Loss on disposal of property, plant and equipment	18,774,361	50,385
Loss (gain) on deemed partial disposal of subsidiaries	9,407,007	(3,094,786)
Gain on disposal of associates	–	(1,950,980)
Net gain on deemed partial disposal of associates	(37,180,050)	–
Gain on partial disposal of subsidiaries	(30,960,543)	(5,713,658)
Decrease (increase) in trading securities	83,749,240	(67,635,880)
Decrease in debtors, deposits and prepayments	125,326,454	3,732,659
Increase in amounts due from associates	(545,833)	(20,859,383)
Decrease (increase) in inventories	10,631,234	(8,386,501)
Decrease in amounts due from (to) customers for contract work	6,592,364	8,078,161
(Decrease) increase in bills payable and import loans	(13,386,991)	11,771,128
(Decrease) increase in creditors and accruals	(3,300,717)	13,800,504
Decrease in sales deposits received	–	(238,949)
Decrease in amount due to a related company	–	(1,500,568)
(Decrease) increase in amounts due to associates	(298,719)	434,550
	<u>(163,359,173)</u>	<u>(28,418,633)</u>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(163,359,173)</u>	<u>(28,418,633)</u>

# Notes to the Financial Statements

For the year ended 31 March 2001



## 36. ACQUISITION OF A SUBSIDIARY

	2001 HK\$	2000 HK\$
Net assets acquired		
Interests in an associate	2,253,509	–
Other receivable	780	–
	<hr/>	<hr/>
	2,254,289	–
Goodwill	4,545,711	–
	<hr/>	<hr/>
	6,800,000	–
	<hr/> <hr/>	<hr/> <hr/>
Satisfied by:		
Cash paid	6,800,000	–
	<hr/> <hr/>	<hr/> <hr/>

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

	2001 HK\$	2000 HK\$
Cash consideration paid	6,800,000	–
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	6,800,000	–
	<hr/> <hr/>	<hr/> <hr/>

The subsidiary acquired did not make a significant contribution to the net cash flows or the results of the Group during the year.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including share premium) HK\$	Minority interests HK\$	Long term borrowings HK\$	Amount due to a minority shareholder of a subsidiary HK\$
Balance at 1 April 1999	188,923,737	–	90,000,000	15,130,000
Proceeds from issue of shares under placing	265,500,000	–	–	–
Placement expenses	(5,981,969)	–	–	–
Proceeds from exercise of share options	1,319,370	–	–	–
Proceeds from exercise of warrants	9,500,000	–	–	–
Repayments during the year	–	–	(77,500,000)	(15,130,000)
Issue of shares to minority interests	–	7,500,000	–	–
Net cash inflow (outflow) from financing	270,337,401	7,500,000	(77,500,000)	(15,130,000)
Purchase of a subsidiary	–	1,451,795	–	–
Disposal of a subsidiary	–	5,286,255	–	–
Minority interests in loss for the year	–	(6,984,425)	–	–
Minority interests in goodwill surplus	–	(7,253,478)	–	–
Exchange adjustment	–	(147)	–	–
	–	(7,500,000)	–	–
Balance at 31 March 2000	459,261,138	–	12,500,000	–
Proceeds from issue of shares under placing	105,008,969	–	–	–
Placement expenses	(2,711,044)	–	–	–
Proceeds from exercise of share options	25,500	–	–	–
Repayments during the year	–	–	(12,500,000)	–
Issue of shares to minority interests	–	67,386,354	–	–
Net cash inflow (outflow) from financing	102,323,425	67,386,354	(12,500,000)	–

# Notes to the Financial Statements

For the year ended 31 March 2001



## 37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR (continued)

	Share capital (including share premium) HK\$	Minority interests HK\$	Long term borrowings HK\$	Amount due to a minority shareholder of a subsidiary HK\$
Deemed disposal of subsidiaries	–	9,407,007	–	–
Purchase of additional interests in a subsidiary	–	(3,273,313)	–	–
Disposal of a subsidiary	–	(6,710,543)	–	–
Minority interests in loss for the year	–	(23,624,297)	–	–
Minority interests in goodwill surplus	–	(10,801,090)	–	–
Issue of shares to minority interests of a subsidiary for trading securities acquired	–	9,710,000	–	–
	<u>102,323,425</u>	<u>42,094,118</u>	<u>(12,500,000)</u>	<u>–</u>
<b>Balance at 31 March 2001</b>	<b><u>561,584,563</u></b>	<b><u>42,094,118</u></b>	<b><u>–</u></b>	<b><u>–</u></b>

## 38. MAJOR NON-CASH TRANSACTION

Part of the consideration for the allotment of shares to a minority shareholder of a subsidiary during the year was settled by transfer of listed trading securities with market value of HK\$9,710,000 from the minority shareholder.



# Notes to the Financial Statements

For the year ended 31 March 2001



## 39. CONTINGENT LIABILITIES

As at 31 March 2001, the contingent liabilities so far as not provided for in the financial statements were as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Cross corporate guarantee given by banker in respect of banking facilities utilised by subsidiaries	–	–	<b>1,757,356</b>	7,743,761
Outstanding performance bonds in respect of contract works	<b>20,466,000</b>	32,486,734	<b>20,466,000</b>	32,486,734
Discounted bills with recourse	<b>1,318,062</b>	161,257	–	–
	<b><u>21,784,062</u></b>	<u>32,647,991</u>	<b><u>22,223,356</u></b>	<u>40,230,495</u>

## 40. LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises, as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Operating leases which expire:				
– within one year	<b>1,359,964</b>	1,121,778	<b>953,964</b>	–
– in the second to fifth year inclusive	<b>4,369,400</b>	5,716,440	<b>1,271,952</b>	953,964
	<b><u>5,729,364</u></b>	<u>6,838,218</u>	<b><u>2,225,916</u></b>	<u>953,964</u>

## 41. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<b>478,799</b>	9,367,721	–	–

# Notes to the Financial Statements

For the year ended 31 March 2001



## 42. PARTICULARS OF SUBSIDIARIES

Name of subsidiary	Place/ country of incorporation or registration	Class of share held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
<b>Operate in Hong Kong:</b>						
Associate Marble Maintenance and Service Company Limited 聯合雲石保養及維修工程 有限公司	Hong Kong	Ordinary	HK\$400,000	-	60	Marble fitting subcontracting work
* Budget Holdings Limited	The British Virgin Islands	Ordinary	US\$100	100	-	Inactive
Companion Marble (BVI) Limited	The British Virgin Islands	Ordinary	HK\$40,000,000	100	-	Investment holding
Companion Marble Engineering Limited 友暉雲石工程有限公司	Hong Kong	Ordinary	HK\$10,000	-	100	Processing of marble and granite products
Companion Marble Limited 友暉雲石有限公司	Hong Kong	Ordinary Non-voting deferred shares	HK\$2 HK\$15,000,000	- -	100 -	Wholesaling of marble and granite products and marble fittings
* Companion Marble Specialty Company Limited	Hong Kong	Ordinary	HK\$2	-	100	Inactive
Companion Marble Work Engineering Company Limited	Hong Kong	Ordinary	HK\$2	-	100	Investment holding
* Cyber First Class Limited	The British Virgin Islands	Ordinary	US\$1	-	64.91	Investment holding
Gold Cloud Agents Limited	The British Virgin Islands	Ordinary	US\$200	-	99	Investment holding
Hollowick Assets Limited	The British Virgin Islands	Ordinary	US\$1	-	100	Investment holding

# Notes to the Financial Statements

For the year ended 31 March 2001



## 42. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation or registration	Class of share held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
* iSet Limited	The British Virgin Islands	Ordinary	US\$100	–	64.91	Investment holding
* Leading Pro Limited	The British Virgin Islands	Ordinary	US\$1	–	100	Inactive
* Muster Services Limited	The British Virgin Islands	Ordinary	US\$1	–	100	Provision of agency services
* New United Investments Limited 新合投資有限公司	Hong Kong	Ordinary	HK\$2	–	100	Property investment
Perfect Marble Company Limited 聯益雲石有限公司	Hong Kong	Ordinary	HK\$2,000,000	–	100	Trading of marble and granite slabs and marble fitting construction work
* Perfect Marble Engineering Limited 聯益雲石工程有限公司	Hong Kong	Ordinary	HK\$200,000	–	100	Investment holding
* Perfect Marble Specialty Company Limited	Hong Kong	Ordinary	HK\$2	–	100	Inactive
Qantex Limited 君達有限公司	Hong Kong	Ordinary	HK\$2	–	64.91	Investment holding
Saxophone Enterprises Limited	The British Virgin Islands	Ordinary	US\$100	100	–	Investment holding
* Space Race Enterprises Limited	The British Virgin Islands	Ordinary	US\$1	–	100	Inactive
Senic Technology Limited 誠益科技有限公司	Hong Kong	Ordinary	HK\$2	–	64.91	Investment holding
* Sky Media Limited (formerly known as East Joy International Limited)	Hong Kong	Ordinary	HK\$2	–	64.91	Inactive

# Notes to the Financial Statements

For the year ended 31 March 2001



## 42. PARTICULARS OF SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation or registration	Class of share held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activities
				Directly %	Indirectly %	
Skynet Limited	Hong Kong	Ordinary Preference	HK\$20,476,233 HK\$67,165	- -	64.91 -	Investment holding
Skynet e-Enable Solution Limited 天網電援方案有限公司	Hong Kong	Ordinary	HK\$2	-	64.91	Provision of IT solution
* Smart Buy Agents Limited	The British Virgin Islands	Ordinary	US\$1	-	64.91	Investment holding
Top Leader Enterprises Limited	The British Virgin Islands	Ordinary	US\$1	-	100	Investment holding
United Glory International Limited	The British Virgin Islands	Ordinary Non-voting deferred shares	US\$2 US\$100	- -	100 -	Investment holding
Wordworld Limited	The British Virgin Islands	Ordinary	US\$100	-	100	Investment holding
<b>Operate in The People's Republic of China ("PRC"):</b>						
Dongguan Companion Marble Factory Co., Ltd. 東莞友暉雲石廠有限公司	PRC	Registered capital	HK\$13,000,000	-	100	Processing of marble and granite products
Dongguan Youlian Building Material Co., Ltd. 東莞友聯建築材料有限公司	PRC	Registered capital	US\$6,580,000	-	100	Processing of marble and granite products
<b>Operate in Malta:</b>						
* Companion Marble (Malta) Limited	Malta	Ordinary	US\$6,000	-	100	Buying agent of marble and granite products

\* Companies not audited by Deloitte Touche Tohmatsu.

None of the subsidiaries had any loan capital outstanding at the end of the year.

# Notes to the Financial Statements

For the year ended 31 March 2001



## 43. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

### A subsidiary of CBM (Holdings) (note i)

Company	Nature	2001 HK\$	2000 HK\$
Paid to:			
Companion Glory Limited	Management fee	<u>536,949</u>	<u>1,573,478</u>

### A subsidiary of New World Development Company Limited (note ii)

Company	Nature	2001 HK\$	2000 HK\$
Received from:			
Hip Hing Construction Company Limited	Construction work	<u>-</u>	<u>8,398,887</u>

Notes:

- (i) CBM (Holdings) is a substantial shareholder of the Company.

Companion Glory Limited performed certain administrative services for a subsidiary of the Group, for which a management fee was charged, being an appropriate allocation of cost incurred.

- (ii) Melowell Investment Limited, a subsidiary of New World Development Company Limited, is a substantial shareholder of the Company up to 8 September 1999.

The above transactions were carried out at market price or, where no market price was available, at cost plus a percentage profit mark-up.