

# Notes to the Financial Statements

For the year ended 31 March 2003



## 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 principal subsidiaries are set out in note 34.

## 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 in the light of the net current liabilities of HK\$107,560,000 as at 31 March 2003. On 5 March 2003, the Company has entered into a conditional agreement with Monetary Success Investments Limited in relation to a restructuring proposal (the "Proposal"). The Proposal involves (i) a scheme of arrangement and securities exchange offer and delisting of the Company's shares on the Stock Exchange and listing of shares of a new holding company ("Newco") of the Company, (ii) subscription of 4,000,000,000 shares of Newco at the subscription price of HK\$0.01 per share and convertible notes of HK\$5 million in Newco, (iii) termination of certain agreements with minority shareholders, Lombard Asian Private Investment Company LDC ("Lombard") and Hidden Advantage Investments Limited ("Hidden"), (iv) entry into restructuring agreements involving acquisition of shares in Skynet Limited ("Skynet"), a subsidiary of the Company, by Newco from Lombard and Hidden, and (v) disposal of all shares in Cyber On-Air Group Company Limited ("COA"), an associate of the Group. Upon completion of the Proposal, Newco will become the holding company of the Company by way of the scheme of arrangement, the implementation of which will entail an exchange of one share of Newco for every 40 shares of the Company; and the shares in Skynet will be acquired by Newco from Lombard and Hidden at consideration of HK\$15 million each and the provision for guarantee to repay redemption sum of Skynet's preferred shares of HK\$93,600,000 will be released. The Proposal is expected to be completed by September 2003. Provided that the Proposal can be successfully completed, the directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

### 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (continued)

#### Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings - operating, investing and financing, rather than the previous five headings. Interest received and paid, which were previously presented under a separate heading, are classified as investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

#### Foreign currencies

The revisions of SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas subsidiaries at the closing rate for the period. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

#### Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit scheme, the adoption of SSAP 34 has not had any material impact on the financial statements.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with the 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.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or an associate at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

### Interests in associates

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 less any identified impairment loss.

### Revenue recognition

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

Service income is recognised when services are provided.

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses, if any.

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

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

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

### 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 using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. 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 included in net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Operating leases

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

# Notes to the Financial Statements

For the year ended 31 March 2003



## 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

## 5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers less discounts allowed and goods returned, revenue arising on provision of installation services for marble and granite products and provision of IT services during the year.

	2003 HK\$'000	2002 HK\$'000
Wholesaling of marble and granite products and marble fittings	10,877	27,267
Installation services for marble and granite products	40,489	15,940
IT services	–	3,437
	<u>51,366</u>	<u>46,644</u>

## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely wholesaling, installation services and IT services. These divisions are the bases on which the Group reports its primary segment information.

Principal activities are as follows:

- Wholesaling – wholesaling of marble and granite products and marble fittings
- Installation services – provision of installation services for marble and granite products
- IT services – provision of IT services

Segment information about these businesses for the years ended 31 March 2003 and 2002 is presented below.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Income statement for the year ended 31 March 2003

	<b>Wholesaling</b>	<b>Installation services</b>	<b>IT services</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE					
External sales	<u>10,877</u>	<u>40,489</u>	<u>–</u>	<u>–</u>	<u>51,366</u>
RESULT					
Segment result	<u>(16,921)</u>	<u>109</u>	<u>(14,707)</u>	<u>–</u>	<u>(31,519)</u>
Finance costs					(1,728)
Gain on waiver of bank loans interest					7,135
Provision for guarantee to repay redemption sum of a subsidiary's preferred shares					(93,600)
Gain on disposal of subsidiaries					5,112
Share of loss of associates					<u>(415)</u>
Loss before taxation					(115,015)
Taxation					<u>–</u>
Loss before minority interests					<u>(115,015)</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Balance sheet as at 31 March 2003

	<b>Wholesaling</b> <i>HK\$'000</i>	<b>Installation services</b> <i>HK\$'000</i>	<b>IT services</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	731	–	1,057	1,788
Unallocated corporate assets				158
Consolidated total assets				<u>1,946</u>
<b>Liabilities</b>				
Segment liabilities	266	–	104,621	104,887
Unallocated corporate liabilities				4,619
Consolidated total liabilities				<u>109,506</u>

Other information for the year ended 31 March 2003

	<b>Wholesaling</b> <i>HK\$'000</i>	<b>Installation services</b> <i>HK\$'000</i>	<b>IT services</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
Depreciation of property, plant and equipment	2,563	–	541	3,104
Allowance for bad and doubtful debts	2,055	–	–	2,055
Impairment loss recognised on goodwill arising on acquisition of additional interests in a subsidiary	–	–	3,796	3,796
	<u>–</u>	<u>–</u>	<u>3,796</u>	<u>3,796</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Income statement for the year ended 31 March 2002

	<b>Wholesaling</b> <i>HK\$'000</i>	<b>Installation services</b> <i>HK\$'000</i>	<b>IT services</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>REVENUE</b>					
External sales	27,267	15,940	3,437	–	46,644
Inter-segment sales	1,175	–	–	(1,175)	–
	<u>28,442</u>	<u>15,940</u>	<u>3,437</u>	<u>(1,175)</u>	<u>46,644</u>
Total revenue	<u>28,442</u>	<u>15,940</u>	<u>3,437</u>	<u>(1,175)</u>	<u>46,644</u>
Inter-segment sales are charged at prevailing market rates.					
<b>RESULT</b>					
Segment loss	(117,958)	(1,412)	(25,514)	–	(144,884)
Impairment loss recognised on goodwill arising on acquisition of associates	–	–	(20,250)	–	(20,250)
Finance costs					(2,922)
Net gain on deemed partial disposal of associates					6,871
Allowance for amounts due from associates					(20,654)
Loss on disposal of subsidiaries					(348)
Share of loss of associates					(36,866)
Loss before taxation					(219,053)
Taxation credit					821
Loss before minority interests					<u>(218,232)</u>



# Notes to the Financial Statements

For the year ended 31 March 2003



## 6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

### Business segments (continued)

Balance sheet as at 31 March 2002

	<b>Wholesaling</b>	<b>Installation</b>	<b>IT</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Assets</b>				
Segment assets	48,236	–	7,518	55,754
Interests in associates	–	–	415	415
Unallocated corporate assets				1,986
				<u>58,155</u>
<b>Liabilities</b>				
Segment liabilities	5,021	–	10,485	15,506
Unallocated corporate liabilities				36,402
				<u>51,908</u>

Other information for the year ended 31 March 2002

	<b>Wholesaling</b>	<b>Installation</b>	<b>IT</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions of property, plant and equipment	–	272	65	337
Depreciation of property, plant and equipment	5,313	–	3,011	8,324
Allowance for bad and doubtful debts	8,526	–	9,014	17,540
Impairment loss recognised on property, plant and equipment	29,820	–	–	29,820
	<u>29,820</u>	<u>–</u>	<u>–</u>	<u>29,820</u>

### Geographical segments

The Group's operations are located in Hong Kong and other regions of the PRC. More than 90% of the Group's sales are within Hong Kong.

## 7. COST OF SALES

Included in cost of sales is an amount of HK\$7,517,000 (2002: HK\$26,650,000) in respect of an allowance for obsolete finished goods and work in progress.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 8. OTHER OPERATING INCOME

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest earned on bank deposits	43	195
Bad debts recovered	–	1,541
Management fee income	1,318	2,596
Sundry income	1,087	4,301
	<u>2,448</u>	<u>8,633</u>

## 9. LOSS FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Loss from operations has been arrived at after charging (crediting):		
Staff costs		
– Directors' emoluments ( <i>note 11</i> )	2,914	2,726
– Contribution to retirement benefits schemes, net of forfeiture of HK\$6,000 (2002: HK\$1,911,000)	34	(915)
– Others	1,334	9,229
	<u>4,282</u>	<u>11,040</u>
Auditors' remuneration		
– Current year	310	382
– Underprovision in prior years	834	–
	<u>1,144</u>	<u>382</u>
Depreciation	3,104	8,324
Net foreign exchange losses	2	420
Operating lease payments in respect of rented premises	2,394	3,341
	<u>2,394</u>	<u>3,341</u>

## 10. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	<u>1,728</u>	<u>2,922</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 11. DIRECTORS' EMOLUMENTS

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' fees	—	—
Other emoluments – Executive:		
Salaries and other benefits	<b>2,878</b>	2,658
Contributions to retirement benefits schemes	<b>36</b>	68
	<b>2,914</b>	2,726
Total emoluments	<b>2,914</b>	2,726

The emoluments of the directors were within the following bands:

	<b>2003</b> <i>No. of</i> <i>directors</i>	2002 <i>No. of</i> <i>directors</i>
HK\$Nil to HK\$1,000,000	7	12
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	<b>1</b>	—
	<b>8</b>	13

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group. None of the directors has waived any emoluments during the year.

## 12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2002: four) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining one (2002: one) individual were as follows:

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	<b>253</b>	323
Contributions to retirement benefits schemes	<b>12</b>	7
	<b>265</b>	330

# Notes to the Financial Statements

For the year ended 31 March 2003



## 12. EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following bands:

	<b>2003</b> <i>No. of employee</i>	2002 <i>No. of employee</i>
HK\$Nil to HK\$1,000,000	<u><u>1</u></u>	<u><u>1</u></u>

## 13. RETIREMENT BENEFIT SCHEMES

	<b>2003</b> <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The Company and subsidiaries		
Contributions	<b>94</b>	1,113
Less: Forfeited amount	<u>(24)</u>	<u>(1,960)</u>
	<u><u>70</u></u>	<u><u>(847)</u></u>

The Group has a defined contribution provident fund scheme for its Hong Kong employees. This is operated by CMG Asia Pensions and Retirement Limited with Dexia Trust Services Hong Kong Limited as Trustees (the "ORSO Scheme").

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. With effect from 1 October 2000, the Group participates in the ORSO Scheme, which was granted an exemption from the Mandatory Provident Fund Schemes Authority on 22 June 2001. Under the 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 Scheme 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 Scheme 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 ORSO Scheme. All newly employed employees are required to join the mandatory provident fund scheme or the ORSO Scheme. The Group is required to make contributions to either of the two schemes according to the employees' options.

At both balance sheet dates, there were no forfeited contributions available to offset future employers' contributions to the schemes.

## 14. PROVISION FOR GUARANTEE TO REPAY REDEMPTION SUM OF A SUBSIDIARY'S PREFERRED SHARES

On 24 October 2002, a winding up petition ("Petition") was served on the Company by Lombard alleging the failure of the Company to cause Skynet to pay the redemption amount of HK\$93.6 million for the convertible cumulative redeemable participative preferred shares of Skynet held by Lombard. The Petition was scheduled to be heard on 18 December 2002. On 30 October 2002, Lombard informed the Company that it would seek leave to withdraw the Petition filed against the Company and served another winding up petition ("New Petition") alleging the same on the Company. The hearing of the New Petition was scheduled to be heard on 15 January 2003 and was subsequently adjourned until 22 September 2003. The amount of HK\$93.6 million has been fully provided in the financial statements.

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

The amount represented the gain on dilution of the Group's interest in Viomax Group Limited ("Viomax") upon Viomax's issuing of shares for the settlement of shareholders' loans.

## 16. TAXATION CREDIT

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the year.

In prior year, the taxation credit represented overprovision of Hong Kong Profits Tax in prior years.

A deferred tax asset of approximately HK\$67,461,000 (2002: HK\$66,381,000) has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

## 17. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$96,916,000 (2002: HK\$190,441,000) and 4,507,099,957 (2002: weighted average number of 4,359,154,750) ordinary shares in issue during the year.

No diluted loss per share for both years have been presented as the exercise of the potential ordinary shares would result in a reduction in loss per share.

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## 18. PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Computer hardware HK\$'000	Computer software HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
<b>COST</b>									
At 1 April 2002	5,333	14,357	343	56,187	4,359	1,193	5,378	314	87,464
Disposals	-	-	(343)	-	(3,942)	(790)	(5,378)	(314)	(10,767)
On disposal of subsidiaries	(5,333)	(14,357)	-	(56,187)	(417)	(403)	-	-	(76,697)
<b>At 31 March 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEPRECIATION AND IMPAIRMENT</b>									
At 1 April 2002	662	9,866	219	41,777	1,583	1,152	1,654	138	57,051
Provided for the year	54	320	34	2,172	252	2	238	32	3,104
Eliminated on disposal	-	-	(253)	-	(1,490)	(790)	(1,892)	(170)	(4,595)
Eliminated on disposal of subsidiaries	(716)	(10,186)	-	(43,949)	(345)	(364)	-	-	(55,560)
<b>At 31 March 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET BOOK VALUES</b>									
<b>At 31 March 2003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 March 2002	4,671	4,491	124	14,410	2,776	41	3,724	176	30,413

# Notes to the Financial Statements

For the year ended 31 March 2003



## 19. GOODWILL

**The Group**  
HK\$'000

### COST

Arising on acquisition of additional interest in a subsidiary during the year and at 31 March 2003	3,796
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### IMPAIRMENT

Impairment loss recognised during the year and at 31 March 2003	<u>(3,796)</u>
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### CARRYING AMOUNT

At 31 March 2003	<u><u>–</u></u>
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Impairment loss was recognised in the current year since the subsidiary continued to incur significant losses during the year.

## 20. INVESTMENTS IN SUBSIDIARIES

### The Company

	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	220,802	220,803
Impairment loss recognised	<u>(220,801)</u>	<u>(220,801)</u>
	<u><u>1</u></u>	<u><u>2</u></u>

Details of the Company's principal subsidiaries are set out in note 34.

## 21. INTERESTS IN ASSOCIATES

### The Group

	2003	2002
	HK\$'000	HK\$'000
Share of net assets	<u>–</u>	<u>415</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 21. INTERESTS IN ASSOCIATES (continued)

At 31 March 2003, the Group had interests in the following principal associates:

Name of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued capital held by the Company indirectly %	Nature of business
Viomax	The British Virgin Islands	Hong Kong	Ordinary	43.71	Investment holding
HK Stock Limited 股壇追擊有限公司	Hong Kong	Hong Kong	Ordinary	43.71	Operation of a stock trading platform on Internet
COA	Cayman Islands	Hong Kong	Ordinary	27.50	Investment holding

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

	COA	
	2003 HK\$'000	2002 HK\$'000
Results for the year		
Turnover	38,877	2,426
Loss from ordinary activities before taxation	22,837	116,998
Loss from ordinary activities before taxation attributable to the Group	<u>4,355</u>	<u>20,884</u>
Financial position		
Non-current assets	71,853	4,813
Current assets	9,805	4,348
Current liabilities	(38,420)	(23,262)
Non-current liability	<u>(80,000)</u>	<u>-</u>
Net liabilities	<u>(36,762)</u>	<u>(14,101)</u>
Net assets attributable to the Group	<u>-</u>	<u>-</u>



# Notes to the Financial Statements

For the year ended 31 March 2003



## 22. INVENTORIES

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Raw materials	–	10,808
Work in progress	–	759
Finished goods and general merchandise	–	1,450
	<u>–</u>	<u>13,017</u>

Included above in prior year were raw materials and finished goods and general merchandise of HK\$8,018,000 and HK\$1,450,000 respectively carried at net realisable value.

## 23. AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2003	2002
	HK\$'000	HK\$'000
Amounts due from subsidiaries	504,554	506,719
Less: Allowances	(504,554)	(506,719)
	<u>–</u>	<u>–</u>

The amounts are unsecured, interest-free and have no fixed repayment terms.

## 24. TRADE DEBTORS

The Group does not define a fixed credit policy.

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

	The Group	
	2003	2002
	HK\$'000	HK\$'000
Within 60 days	–	2,025
Over 90 days	100	121
	<u>100</u>	<u>2,146</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 25. TRADE CREDITORS

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

	The Group	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Over 90 days	<u>–</u>	<u>1,000</u>

## 26. AMOUNTS DUE TO ASSOCIATES

The amounts are in the nature of current accounts which are interest-free, unsecured and have no fixed repayment terms.

## 27. SHARE CAPITAL

	Number of shares		Share capital	
	2003	2002	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Authorised:				
At the beginning and end of the year				
Ordinary shares of HK\$0.02 each	<u>7,000,000,000</u>	<u>7,000,000,000</u>	<u>140,000</u>	<u>140,000</u>
Issued and fully paid:				
At the beginning of the year				
Ordinary shares of HK\$0.02 each	4,507,099,957	4,107,099,667	90,142	82,142
Issue of shares	–	400,000,000	–	8,000
Exercise of warrants	–	290	–	–
At the end of the year				
Ordinary shares of HK\$0.02 each	<u>4,507,099,957</u>	<u>4,507,099,957</u>	<u>90,142</u>	<u>90,142</u>

## 28. SHARE OPTIONS

The Company's share option scheme ("Scheme") was adopted pursuant to a resolution passed on 1 April 1996 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 1 April 2006. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including any executive director of the Company and its subsidiaries, to subscribe for shares in the Company.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 28. SHARE OPTIONS (continued)

The total number of shares of the Company in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued share capital of the Company on the date of the proposed grant less the aggregate of (i) the number of shares of the Company which would be issued on the exercise in full of the options granted but not exercised on that date and (ii) the number of shares of the Company which have been issued and allotted pursuant to the exercise of any option already granted on such date. As at the date of this report, the total number of shares of the Company in respect of which options may be granted under the Scheme was 60,709,995 shares (representing approximately 1.35% of the shares of the Company in issue at that date), after deducting options in respect of 178,200,000 shares that had been lapsed in accordance with the terms of the Scheme. No option shall be granted to any employee if the number of shares of the Company the subject of such option when added to the number of shares of the Company which have been subscribed on exercise of any option granted to him under the Scheme and the number of shares of the Company for which the employee is entitled to subscribe under any outstanding option would exceed 25% of the maximum aggregate number of shares of the Company subject to the Scheme.

Consideration to be paid on each grant of option is HK\$10 and an offer for an option must be accepted by the employee not later than 28 days after the offer date of the option. Options granted may be exercised at any time after the date of grant of the option and before the date which is three years after the date of grant. The exercise price is determined by the directors of the Company, and shall not be less than the greater of (i) 80% of the average closing price of the Company's shares on the Stock Exchange for the five trading days immediately preceding the offer date of the option and (ii) the nominal value of the Company's share.

The following table discloses details of the Company's share options held by a director and movements in such holdings during the year:

	Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2002	Lapsed during the year	At 31.3.2003
<b>Director</b>						
Lo Chi Ho, William	29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	(45,000,000)	–
	14 February 2001	0.039	15 February 2001 to 14 February 2004	50,000,000	–	50,000,000
Total				<u>95,000,000</u>	<u>(45,000,000)</u>	<u>50,000,000</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 28. SHARE OPTIONS (continued)

The following table discloses details of the Company's share options held by a director and employees and movements in such holdings during last year:

	Date granted	Exercise price per share HK\$	Exercisable period	At 1.4.2001	Lapsed during the year	At 31.3.2002
<b>Director</b>						
Lo Chi Ho, William	29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	–	45,000,000
	14 February 2001	0.039	15 February 2001 to 14 February 2004	50,000,000	–	50,000,000
Total director				<u>95,000,000</u>	<u>–</u>	<u>95,000,000</u>
<b>Employees</b>						
	28 December 1999	0.2388	29 December 1999 to 28 December 2002	8,200,000	(8,200,000)	–
	29 February 2000	0.304	1 March 2000 to 28 February 2003	45,000,000	(45,000,000)	–
Total employees				<u>53,200,000</u>	<u>(53,200,000)</u>	<u>–</u>
Total				<u>148,200,000</u>	<u>(53,200,000)</u>	<u>95,000,000</u>

# Notes to the Financial Statements

For the year ended 31 March 2003



## 29. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>					
At 1 April 2001	479,443	180,801	255	(602,804)	57,695
Shares issued at premium	9,200	–	–	–	9,200
Net loss for the year	–	–	–	(157,134)	(157,134)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	488,643	180,801	255	(759,938)	(90,239)
Net loss for the year	–	–	–	(94,705)	(94,705)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 31 March 2003</b>	<b><u>488,643</u></b>	<b><u>180,801</u></b>	<b><u>255</u></b>	<b><u>(854,643)</u></b>	<b><u>(184,944)</u></b>

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.

There is no distributable reserve at both balance sheet dates.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 30. DISPOSAL OF SUBSIDIARIES

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
<b>Net assets disposed of:</b>		
Property, plant and equipment	21,137	272
Inventories	5,000	–
Amounts due from customers for contract work	–	293
Trade debtors	–	17,852
Other debtors, deposits and prepayments	–	15,791
Tax recoverable	–	79
Bank balances and cash	–	2,607
Amounts due to customers for contract work	–	(10,785)
Trade creditors	(902)	–
Other creditors and accruals	(3,829)	(2,761)
	<u>21,406</u>	23,348
Exchange reserve realised on disposal	(2,518)	–
Gain (loss) on disposal	5,112	(348)
	<u>24,000</u>	<u>23,000</u>
<b>Satisfied by:</b>		
Cash	<u>24,000</u>	<u>23,000</u>
<b>Net cash inflow arising on disposal of subsidiaries:</b>		
Cash consideration	24,000	23,000
Bank balances and cash disposed of	–	(2,607)
	<u>24,000</u>	<u>20,393</u>

The subsidiaries disposed of during the year did not contribute significant cash flows or results to the Group.

The subsidiaries disposed of during last year contributed HK\$2,320,000 to the Group's net operating cash inflows and utilised HK\$272,000 for investing activities.

The subsidiaries disposed of during last year contributed HK\$20,948,000 to the Group's turnover and a loss of HK\$691,000 to the Group's loss from operations.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 31. CONTINGENT LIABILITIES

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Corporate guarantee given to bankers in respect of banking facilities utilised by subsidiaries	-	-	-	32,590
Outstanding performance bonds in respect of contract works	-	18,480	-	18,480
Other corporate guarantee (in lieu of rental payment)	-	978	-	978
	<u>-</u>	<u>19,458</u>	<u>-</u>	<u>52,048</u>

A subsidiary of the Company is a defendant in a lawsuit brought during 2002 claiming approximately HK\$1,733,000 relating to the outstanding sum of the contract works done by a sub-contractor, Swee Kheng & Aster Marble Company Limited ("Swee Kheng"). The subsidiary filed a defence and counterclaim claiming payment from Swee Kheng of a sum of approximately HK\$162,000. The subsidiary has contested the claim vigorously and no provision has been made in the financial statements.

## 32. LEASE COMMITMENTS

At 31 March 2003, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group		The Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	1,214	2,743	1,214	1,113
In the second to fifth year	1,214	2,428	1,214	2,428
	<u>2,428</u>	<u>5,171</u>	<u>2,428</u>	<u>3,541</u>

Operating lease payments represent rentals payable by the Group for its office premises. Leases are mainly negotiated for an average term of three years and rentals are fixed for an average of three years.

Subsequent to 31 March 2003, all leases were terminated with landlord by early surrender of the premises and a compensation of approximately HK\$790,000.

# Notes to the Financial Statements

For the year ended 31 March 2003



## 33. CAPITAL COMMITMENTS

	The Group	
	2003 HK\$'000	2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	—	454

## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company at 31 March 2003 which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place/ country of incorporation/ registration	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital 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
Companion Marble (BVI) Limited	The British Virgin Islands	Ordinary	HK\$40,000,000	100	—	Investment holding



# Notes to the Financial Statements

For the year ended 31 March 2003



## 34. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Place/ country of incorporation/ registration	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of nominal value of issued capital/ registered capital by the Company		Principal activities
				Directly %	Indirectly %	
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
Gold Cloud Agents Limited	The British Virgin Islands	Ordinary	US\$200	–	99	Investment holding
Qantex Limited 君達有限公司	Hong Kong	Ordinary	HK\$2	–	68.93	Investment holding
Saxophone Enterprises Limited	The British Virgin Islands	Ordinary	US\$100	100	–	Investment holding
Skyenet Limited	Hong Kong	Ordinary Preference	HK\$20,476,233 HK\$67,165	–	68.93 –	Investment holding
Space Race 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

None of the subsidiaries had any debt securities outstanding during the year and at the end of the year.