

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

29. Secured Other Loan

| | THE GROUP | |
|---|--------------|--------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| The schedule of the principal repayments is as follows: | | |
| Within one year | 43 | 40 |
| One to two years | 71 | 94 |
| Two to five years | 268 | 350 |
| Over five years | 2,644 | 4,110 |
| | <u>3,026</u> | <u>4,594</u> |
| Less: Amount due within one year included in current liabilities | (43) | (40) |
| Non-current portion of secured other loan | <u>2,983</u> | <u>4,554</u> |

The loan bears interest at commercial rate and is repayable by monthly instalments.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

30. Share Capital

Share capital

| | Notes | Number of ordinary shares of US\$0.10 each | Nominal value US\$'000 |
|--|-------|--|---------------------------|
| Authorised: | | | |
| At 1st January, 1999 and 31st December, 1999 | | 1,000,000,000 | 100,000 |
| Increase on 18th April, 2000 | | 1,000,000,000 | 100,000 |
| | | <u>2,000,000,000</u> | <u>200,000</u> |
| Issued and fully paid: | | | |
| At 1st January, 1999 | | 573,483,336 | 57,349 |
| Shares repurchased and cancelled | | (1,968,000) | (197) |
| | | <u>571,515,336</u> | <u>57,152</u> |
| At 31st December, 1999 | | 571,515,336 | 57,152 |
| Issued in consideration for the acquisition of an associate | (a) | 7,757,000 | 776 |
| Issued in consideration for the acquisitions of subsidiaries and investment securities | (b) | 342,920,000 | 34,292 |
| Issued in cash consideration | (c) | 230,000,000 | 23,000 |
| Issued in consideration for the settlement of part of the financial advisory fees | (d) | 1,000,000 | 100 |
| Shares repurchased and cancelled | | (6,668,000) | (667) |
| | | <u>1,146,524,336</u> | <u>114,653</u> |
| At 31st December, 2000 | | <u>1,146,524,336</u> | <u>114,653</u> |
| | | <u>2000</u> | <u>1999</u> |
| | | <u>HK\$'000</u> | <u>HK\$'000</u> |
| Shown in the financial statements as | | <u>894,289</u> | <u>445,782</u> |



NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

30. Share Capital (Continued)

Notes:

(a) Acquisition of an associate

Pursuant to the subscription agreement dated 11th January, 2000 entered into between the Company and Topdomain Network Limited ("TNL"), the Company agreed to subscribe for 23.6% interest in TNL for an aggregate consideration of HK\$15,514,000 which was satisfied by the issue and allotment of 7,757,000 shares of the Company at HK\$1 each, and as to the balance, in cash.

(b) Acquisitions of subsidiaries and investment securities

Pursuant to the acquisition agreements dated 17th March, 2000 in connection with the acquisition of e2-Capital Limited (now renamed as OpenIBN (HK) Limited), acquisition of interests in PCL and acquisition of interests in e2-Capital Securities, the Company purchased: (i) the entire issued share capital of e2-Capital Limited from e2-Capital Inc. for an aggregate consideration of HK\$348,000,000 which was satisfied by the issue and allotment of 290,000,000 new shares of the Company at HK\$1.20 each to e2-Capital Inc; (ii) approximately 20% of the issued share capital of PCL from chinadotcom corporation for an aggregate consideration of HK\$35,004,000 which was satisfied by the issue and allotment of 29,170,000 new shares of the Company at HK\$1.20 each to chinadotcom corporation; (iii) the remaining 60% interest in e2-Capital Securities not at the meantime owned by Goodwill Investment (BVI) Limited from JFBVI and Great Mark for an aggregate consideration of HK\$57,000,000 which was satisfied, as to HK\$28,500,000, by the issue and allotment of 23,750,000 new shares of the Company at HK\$1.20 each to JFBVI and Great Mark and, as to the balance, in cash.

The issue price of HK\$1.20 represented: (i) a discount of approximately 46.7% to the closing price of the Company of HK\$2.25 per share on 11th February, 2000, the last day of trading in the shares prior to suspension of trading in the shares of the Company pending issue of the acquisitions announcement; and (ii) a premium of approximately 0.8% over the average closing price of the Company of HK\$1.19 per share over the 10 trading days up to and including 11th February, 2000.

(c) Placement of shares

Pursuant to the share placing agreement dated 26th February, 2000 entered into between the Company and Jardine Fleming Securities Limited ("JFSL"), JFSL agreed to procure subscribers for 230,000,000 shares of the Company at HK\$1.20 each. The issue price is equal to the issue price of the acquisition of e2-Capital Limited, acquisition of interests in PCL, and acquisition of interests in e2-Capital Securities. The net proceeds from the share placing was used for the acquisitions of Keith Statham Associates Limited and e2-Capital Securities and as working capital of the Group.

(d) Settlement of part of the financial advisory fees

Pursuant to the agreement dated 26th February, 2000 entered into between the Company and JFSL, the Company issued and allotted 1,000,000 shares of the Company at HK\$1.20 each as consideration for settlement of the part of service fees charged by JFSL for acting as a financial advisor to the Company for the acquisitions mentioned in (b) above.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

30. Share Capital (Continued)

All the new shares rank pari passu with the existing shares in all respects.

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

| Month of repurchase | No. of ordinary shares of US\$0.10 each | Price per share | | Aggregate consideration paid including commission and stamp duty HK\$ |
|---------------------|--|-----------------|----------------|--|
| | | Highest HK\$ | Lowest HK\$ | |
| July 2000 | 170,000 | 0.66 | 0.65 | 111,115 |
| August 2000 | 1,896,000 | 0.75 | 0.67 | 1,335,378 |
| September 2000 | 4,008,000 | 0.70 | 0.60 | 2,635,029 |
| October 2000 | 594,000 | 0.66 | 0.46 | 326,771 |
| | <u>6,668,000</u> | | | <u>4,408,293</u> |

The above shares were cancelled upon repurchase.

Share option scheme

On 15th December, 1992, a share option scheme was approved at a special general meeting of the Company. Under the scheme, the directors may, at their discretion, invite employees of the Company and its subsidiaries, including full time executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. The subscription price for the shares in respect of which options are granted will be the higher of the nominal value and 80% of the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately preceding the grant of the option. No option may be exercised later than ten years after it has been granted and no option may be granted more than ten years after the date of approval of the scheme.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

30. Share Capital (Continued)

A summary of the movements in the share options during the year is as follows:

| Date of grant | Exercise price HK\$ | Number of share options | | | |
|---------------------|------------------------|-------------------------|----------------------------|---------------------------|--------------------------|
| | | Balance at 1.1.2000 | Granted during the year | Lapsed during the year | Balance at 31.12.2000 |
| 17th March, 1997 | 1.77 | 9,599,000 | – | – | 9,599,000 |
| 1st August, 1997 | 2.68 | 1,050,000 | – | – | 1,050,000 |
| 23rd April, 1998 | 0.80 | 4,000,000 | – | – | 4,000,000 |
| 6th March, 2000 | 1.20 | – | 3,800,000 | – | 3,800,000 |
| 13th April, 2000 | 1.03 | – | 4,000,000 | – | 4,000,000 |
| 29th April, 2000 | 0.79 | – | 33,000,000 | 3,000,000 | 30,000,000 |
| 6th May, 2000 | 0.85 | – | 3,250,000 | – | 3,250,000 |
| 3rd June, 2000 | 0.79 | – | 4,730,000 | – | 4,730,000 |
| 15th August, 2000 | 0.79 | – | 11,000,000 | – | 11,000,000 |
| 1st September, 2000 | 0.79 | – | 6,500,000 | – | 6,500,000 |
| | | <u>14,649,000</u> | <u>66,280,000</u> | <u>3,000,000</u> | <u>77,929,000</u> |

Consideration of HK\$60 was received by the Company for options granted during the year.

Subject to certain conditions in the share option scheme, the remaining options can be exercised at any time up to 14th December, 2002.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

31. Reserves

| | Contributed surplus HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 | (Goodwill) capital reserve HK\$'000 | (Deficit) retained profits HK\$'000 | Total HK\$'000 |
|--|------------------------------------|------------------------------|------------------------------|--|--|-------------------|
| THE GROUP | | | | | | |
| At 1st January, 1999 | 45,240 | 836,102 | 379 | (425,534) | (276,200) | 179,987 |
| Reserve arising from shares repurchased | - | - | 126 | - | - | 126 |
| Net profit for the year | - | - | - | - | 13,733 | 13,733 |
| At 31st December, 1999 | 45,240 | 836,102 | 505 | (425,534) | (262,467) | 193,846 |
| Transfer from share premium to deficit account resulting from capital reduction | - | (301,559) | - | - | 301,559 | - |
| Issue of shares | - | 242,753 | - | - | - | 242,753 |
| Share issue expenses | - | (7,003) | - | - | - | (7,003) |
| Goodwill on acquisitions of subsidiaries and associates | - | - | - | (426,136) | - | (426,136) |
| Reserve arising from shares repurchased | - | - | 793 | - | - | 793 |
| Dividends | (34,399) | - | - | - | - | (34,399) |
| Net profit for the year | - | - | - | - | 66,432 | 66,432 |
| At 31st December, 2000 | 10,841 | 770,293 | 1,298 | (851,670) | 105,524 | 36,286 |
| Attributable to: | | | | | | |
| Company and subsidiaries | 10,841 | 770,293 | 1,298 | (851,670) | 106,918 | 37,680 |
| Associates | - | - | - | - | (1,394) | (1,394) |
| | 10,841 | 770,293 | 1,298 | (851,670) | 105,524 | 36,286 |

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

31. Reserves (Continued)

| | Contributed surplus HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 | (Goodwill) capital reserve HK\$'000 | (Deficit) retained profits HK\$'000 | Total HK\$'000 |
|---|------------------------------------|------------------------------|------------------------------|--|--|-------------------|
| THE COMPANY | | | | | | |
| At 1st January, 1999 | 171,897 | 627,000 | 379 | - | (299,659) | 499,617 |
| Reserve arising from shares repurchased | - | - | 126 | - | - | 126 |
| Net loss for the year | - | - | - | - | (1,900) | (1,900) |
| At 31st December, 1999 | 171,897 | 627,000 | 505 | - | (301,559) | 497,843 |
| Reduction of share premium transferred to deficit account | - | (301,559) | - | - | 301,559 | - |
| Issue of shares | - | 242,753 | - | - | - | 242,753 |
| Share issue expenses | - | (7,003) | - | - | - | (7,003) |
| Reserve arising from shares repurchased | - | - | 793 | - | - | 793 |
| Dividends | (34,399) | - | - | - | - | (34,399) |
| Net profit for the year | - | - | - | - | 8,856 | 8,856 |
| At 31st December, 2000 | 137,498 | 561,191 | 1,298 | - | 8,856 | 708,843 |

The contributed surplus represents the difference between the shareholders' funds of the Group and the Company as at 15th December, 1992 respectively and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable from this account afterwards.

Pursuant to the special resolutions passed at the special general meetings of the Company held on 30th December, 2000, the share premium account of the Company was reduced by approximately HK\$301,559,000. The amount of HK\$301,559,000 arising from the reduction of the share premium account was credited to deficit account of the Company as at 1st January, 2000. Particulars of the reduction are set out in the Company's circular dated 6th December, 2000 and were approved by the shareholders on 30th December, 2000.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

31. Reserves (Continued)

Other reserve arose as a result of repurchase of the Company's listed securities and represents the excess of the consideration paid over the nominal value of the shares repurchased.

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 the contributed surplus account 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.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st December, 2000 were as follows:

| | HK\$'000 |
|---------------------|-------------|
| Contributed surplus | 137,498 |
| Retained profits | 8,856 |
| | <hr/> |
| | 146,354 |
| | <hr/> <hr/> |

Moreover, pursuant to the Company Act 1981 of Bermuda (as amended), the Company's share premium account of HK\$561,191,000 may be distributed in the form of fully paid bonus shares.

32. Loan from a Minority Shareholder of a Subsidiary

THE GROUP

The loan from a minority shareholder of a subsidiary is unsecured, non-interest bearing and will not be repaid in the next twelve months.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

33. Unprovided Deferred Taxation

At the balance sheet date, the components of unprovided deferred tax (asset) liability are as follows:

| | THE GROUP | | THE COMPANY | |
|--|-----------------|-----------------|----------------|--------------|
| | 2000 | 1999 | 2000 | 1999 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Tax effect on timing differences because of: | | | | |
| Excess of tax allowances over depreciation | 1,056 | 139 | 319 | 139 |
| Tax losses | (51,362) | (34,328) | (2,132) | (632) |
| Other timing differences | (18,240) | (18,240) | – | – |
| | <u>(68,546)</u> | <u>(52,429)</u> | <u>(1,813)</u> | <u>(493)</u> |

The components of the unprovided deferred tax (credit) charge for the year are as follows:

| | THE GROUP | |
|--|-----------------|----------------|
| | 2000 | 1999 |
| | HK\$'000 | HK\$'000 |
| Tax effect on timing differences because of: | | |
| Difference between tax allowances and depreciation | 917 | 17 |
| Tax losses | (17,034) | (2,127) |
| | <u>(16,117)</u> | <u>(2,110)</u> |

A deferred tax asset 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.

NOTES TO THE FINANCIAL STATEMENT

For the year ended 31st December, 2000

34. Reconciliation of Profit Before Taxation to Net Cash (Outflow) Inflow from Operating Activities

| | 2000 | 1999 |
|---|-----------------|---------------|
| | HK\$'000 | HK\$'000 |
| Profit before taxation | 68,017 | 17,876 |
| Share of results of associates | (4,083) | (2,387) |
| Interest expense | 4,269 | 2,415 |
| Loss on disposal of property, plant and equipment | 303 | - |
| Net realised gain on other investments | (10,399) | - |
| Net unrealised (gain) loss on other investments | (38,001) | 1,442 |
| Amortisation of goodwill of unconsolidated subsidiaries | 1,287 | 3,250 |
| Depreciation | 5,503 | 3,071 |
| Provision for obsolete inventories | 1,400 | 500 |
| Provision for impairment loss of investment securities | 10,000 | - |
| Decrease in properties held for sale | - | 50,091 |
| Decrease (increase) in inventories | 272 | (2,325) |
| (Increase) decrease in amounts due from unconsolidated subsidiaries | (225) | 184 |
| Decrease (increase) in amounts due from associates | 811 | (563) |
| (Increase) decrease in trade debtors | (23,946) | 758 |
| Decrease in other receivables, prepayments and deposits | 3,326 | 46,360 |
| (Increase) decrease in other investments | (29,892) | 9,183 |
| Decrease in loans receivable | 2,240 | 417 |
| Decrease in amounts due from fellow subsidiaries | 3,769 | - |
| Decrease in amount due to former ultimate holding company | (16) | (34) |
| Increase in amount due to an affiliated company | 17 | - |
| Decrease in amounts due to unconsolidated subsidiaries | (298) | (487) |
| Decrease in amount due to an associate | (1) | (411) |
| Increase in amount due to a director | 531 | - |
| Increase in trade creditors | 65,225 | 763 |
| Decrease in other payables, deposits received and accruals | (73,214) | (48,043) |
| Decrease in amount due to a fellow subsidiary | (7,100) | - |
| Net cash (outflow) inflow from operating activities | <u>(20,205)</u> | <u>82,060</u> |