

Notes to the Financial Statements

For the Year ended 31st March, 2001

38. SHARE CAPITAL - continued

(ii) Pursuant to a placing agreement entered into on 18th August, 1999, the Company issued 93,500,000 ordinary shares of HK\$0.10 each at a price of HK\$0.24 per share. The price of HK\$0.24 per share represented a discount of approximately 11.11% to the closing price of the Company's shares on 18th August, 1999 as quoted on the Stock Exchange. The net proceeds of the placement of approximately HK\$21,800,000 were used for the Group's general working capital.

These new shares were issued under the general mandate granted to the directors at the Company's annual general meeting on 12th August, 1999.

(iii) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company on 27th January, 2000, the Company issued 114,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.52 per share. The net proceeds of the placement of approximately HK\$58,000,000 were used as the Group's marketing fund for the products under the name of Nsource, for the Group's website under development and general working capital.

(iv) 8,500,000, 5,400,000 and 1,750,000 shares options were exercised at a subscription price of HK\$0.205, HK\$0.319 and HK\$0.453 per share, respectively, resulting in the issue of 15,650,000 ordinary shares of HK\$0.10 each in the Company.

(v) The warrant holders of subscription rights of HK\$8,442,000 had exercised their rights, resulting in the issue of 24,120,000 ordinary shares of HK\$0.10 each in the Company at HK\$0.35 per share.

All the ordinary shares issued during the year ended 31st March, 2000 rank pari passu with the then existing ordinary shares of the Company in all respects.

(b) During the year ended 31st March, 2001, the following changes in the share capital of the Company took place:

(i) Pursuant to an ordinary resolution at an extraordinary general meeting of the Company held on 27th February, 2001, the authorised share capital of the Company was increased from HK\$1,541,783,000 to HK\$2,000,000,000 by the creation of an additional 4,582,166,585 new ordinary shares of HK\$0.10 each.

Notes to the Financial Statements

For the Year ended 31st March, 2001

38. SHARE CAPITAL - continued

- (ii) Under the mandate granted to the directors of the Company on 27th January, 2000, the Company repurchased 1,748,000 ordinary shares of HK\$0.10 each in the share capital of the Company through the Stock Exchange as follows:

Month of repurchase	Number of ordinary share of HK\$0.10 each repurchased	Price per ordinary share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
April 2000	1,748,000	0.315	0.3	539

The ordinary shares repurchased were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof.

The premium payable on repurchase was charged against share premium account and an amount equivalent to the nominal value of the shares cancelled amounting to HK\$174,000 was transferred from share premium account to the capital redemption reserve as set out in note 41.

- (iii) Pursuant to a placing agreement entered into on 19th December, 2000 (the "Share Placement"), the Company issued 142,000,000 ordinary shares of HK\$0.10 each at a price of HK\$0.14 per share. The issued price of HK\$0.14 per share represents a discount of approximately 22.2% to the closing price of the Company's shares on 19th December, 2000 as quoted on the Stock Exchange. The net proceeds of the placement of HK\$19,360,000 were used for repayment of bank loans and as additional working capital of the Group.

These new ordinary shares were issued under the general mandate granted to the directors at the Company's annual general meeting on 5th September, 2000.

- (iv) During the year, 10,500,000 shares options were exercised at a subscription price of HK\$0.205 per share, resulting in the issue of 10,500,000 ordinary shares of HK\$0.10 each in the Company.

All the ordinary shares issued during the year rank pari passu with the then existing ordinary shares of the Company in all respects.

Notes to the Financial Statements

For the Year ended 31st March, 2001

38. SHARE CAPITAL - continued

Pursuant to a special resolution at an extraordinary general meeting of the Company held on 27th February, 2001, subject to the approval by the Grand Court of the Cayman Islands and the compliance of certain statutory requirements, the shareholders approved the following:

- (a) The issued share capital of the Company will be reduced from an amount of HK\$86,559,000 to HK\$8,656,000 by cancelling paid up capital of the Company to the extent of HK\$0.09 on each of the ordinary share in issue so that each issued ordinary share of HK\$0.10 in the capital of the Company shall be treated as one fully paid up ordinary share of HK\$0.01 in the capital of the Company (the "Capital Reduction");
- (b) The Company shall apply the credit arising from the Capital Reduction to a distributable reserve of the Company; and
- (c) Every ordinary share of HK\$0.10 in the unissued share capital of the Company will be sub-divided into ordinary shares of HK\$0.01 each of the Company.

The issued and unissued ordinary shares resulting from the above changes shall rank *pari passu* in all respects in accordance with the clauses of the Company's Articles of Association.

On 17th April 2001, the Grand Court of the Cayman Islands confirmed the above alternation of the issued capital of the Company and the changes of the issued capital of the Company were completed and registered to the Cayman Islands' Registrar of Companies on 19th April, 2001.

39. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme adopted on 2nd July, 1999 (the "Share Option Scheme"), the Company may grant options at HK\$1 for each lot of share options granted under the Share Option Scheme to any full time employees, including executive directors, of the Company or its subsidiaries to subscribe for shares in the Company.

Options granted are exercisable for a period to be notified by the board of directors of the company to each grantee and in any event such period of time shall not exceed a period of ten years commencing on which the option is accepted and shall expire at the end of such ten year period. The maximum number of shares in respect of which options may be granted shall not exceed 10% of the issued share capital of the Company from time to time.

The subscription price of the options shall be a price to be determined by the directors of the Company being not less than the nominal value of the ordinary shares of the Company or 80% of the average closing price of the ordinary shares of the Company for the five trading days immediately preceding the date of the offer of the options.

Notes to the Financial Statements

For the Year ended 31st March, 2001

39. SHARE OPTION SCHEME - continued

A summary of the movements during the year in the share options granted under the Share Option Scheme is as follows:

Date of grant	Exercise price per share HK\$	Outstanding at 1.4.2000	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding 31.3.2001
27.8.1999	0.205	25,500,000	—	(10,500,000)	—	15,000,000
8.9.1999	0.319	4,000,000	—	—	—	4,000,000
1.3.2000	0.453	17,250,000	—	—	(2,050,000)	15,200,000
		<u>46,750,000</u>	<u>—</u>	<u>(10,500,000)</u>	<u>(2,050,000)</u>	<u>34,200,000</u>

The outstanding share options can be exercised at any time within five years since the date of grant.

40. WARRANTS

On 11th October, 1999, a placing and underwriting agreement was entered into between the Company and a placing agent, pursuant to which the placing agent agreed to place 114,500,000 warrants conferring rights to subscribe an aggregate of HK\$40,075,000 in cash for ordinary shares of the Company (the "Warrants") at an initial issue price of HK\$0.25 each to independent investors. Each Warrant will entitle the holder to subscribe one new ordinary share in the Company at an initial subscription price of HK\$0.35 per share, subject to adjustments.

The proceeds received from the issue of the Warrants, net of expenses incurred, were credited to the warrant reserve (note 41) in the year ended 31st March, 2000 and the net proceeds were used for reducing bank borrowings and for additional working capital of the Group.

Following the Share Placement of the Company in December 2000, the subscription price of the Warrants was changed from HK\$0.35 per share to HK\$0.34 per share, subject to adjustments, in accordance with the terms of the Warrant instrument.

No warrant holders had exercised any of their rights during the year.

At 31st March, 2001, the Company had outstanding Warrants conferring rights to subscribe for up to HK\$30,729,200 in cash for shares. Exercise in full of these outstanding warrants would, under the share capital structure of the Company at 31st March, 2001, result in the issue of 90,380,000 additional ordinary shares of HK\$0.10 each.

The rights attached to the Warrants to subscribe for ordinary shares of the Company expired on 3rd May, 2001.

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For the Year ended 31st March, 2001

41. RESERVES

	Share premium HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Warrant reserve HK\$'000	Distributable reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
THE GROUP									
At 1st April, 1999	—	(292)	(641)	311	35,131	—	517,288	(151,052)	400,745
Premium arising on issue of shares	88,396	—	—	—	—	—	—	—	88,396
Expenses incurred in connection with the issue of shares	(6,022)	—	—	—	—	—	—	—	(6,022)
Translation reserve realised upon the disposal of subsidiaries	—	(299)	—	—	—	—	—	—	(299)
Exchange differences arising on translation of overseas operations	—	(1,590)	—	—	—	—	—	—	(1,590)
Warrant reserve arising from the issue of warrants (<i>note 40</i>)	—	—	—	—	—	28,625	—	—	28,625
Expenses incurred in connection with the issue of warrants	—	—	—	—	—	(1,871)	—	—	(1,871)
Write off of goodwill arising on acquisition of subsidiaries	—	—	(12)	—	—	—	—	—	(12)
Capital reserve arising on increasing the Group's interest in a subsidiary	—	—	3,114	—	—	—	—	—	3,114
Net loss for the year	—	—	—	—	—	—	—	(189,188)	(189,188)
At 31st March, 2000	<u>82,374</u>	<u>(2,181)</u>	<u>2,461</u>	<u>311</u>	<u>35,131</u>	<u>26,754</u>	<u>517,288</u>	<u>(340,240)</u>	<u>321,898</u>