

## 26. SHARE CAPITAL (continued)

During the year, the followings changes in the authorised and issued capital of the Company took place:

- (a) Pursuant to a placement agreement dated 14th April, 2000, 910,000,000 new ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.05 per share on 3rd May, 2000. The proceeds were used to provide additional working capital/finance new investments of the Group.
- (b) Pursuant to a placement agreement dated 25th May, 2000, 1,373,000,000 new ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.031 per share on 8th June, 2000. The proceeds were used to provide additional working capital/finance new investments of the Group.
- (c) Pursuant to an underwriting agreement dated 6th September, 2000, 1,640,000,000 new ordinary shares of HK\$0.01 each were allotted and issued for cash to independent third parties at a price of HK\$0.018 per share on 26th September, 2000. The proceeds were used to provide additional working capital/finance new investments of the Group.
- (d) Pursuant to a sale and purchase agreement dated 27th September, 2000, 4,319,986,000 new ordinary shares of HK\$0.01 each were allotted and issued at HK\$0.0175 per share on 7th November, 2000, for the acquisition of an other investment, PiLink.
- (e) Pursuant to a placing agreement and a subscription agreement dated 14th November, 2000, 2,000,000,000 ordinary shares of HK\$0.01 each were allotted and issued to Mr. Wong for cash at a price of HK\$0.015 per share on 27th November, 2000, following a placement of the same number of shares in the Company by Mr. Wong at the same price to independent third parties. The proceeds were used to provide additional working capital/finance new investments of the Group.
- (f) On 15th January, 2001, the authorised share capital of the Company was increased from HK\$200,000,000 divided into 20,000,000,000 ordinary shares of HK\$0.01 each to HK\$500,000,000 divided into 50,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 30,000,000,000 new ordinary shares of HK\$0.01 each ranking pari passu in all respects with the existing share capital of the Company.
- (g) Pursuant to a share exchange agreement dated 23rd March, 2001, 3,421,220,000 new ordinary shares at a price of HK\$0.01 each were allotted and issued to vLink in exchange for 42,765,250 new ordinary shares of vLink at a price of HK\$0.80 per share on 28th March, 2001; and
- (h) During the year, 500,000,000, 166,000,000 and 240,000,000 ordinary shares of HK\$0.01 each were allotted and issued to certain share option holders at HK\$0.012, HK\$0.0122 and HK\$0.02 each, respectively.

## 26. SHARE CAPITAL (continued)

### Share options

Pursuant to the share option scheme approved and adopted by the shareholders of the Company on 10th October, 1996 and as amended on 30th September, 1997, the Directors of the Company may, at their discretion, grant to any Directors and/or employees of the Company and its subsidiaries options to subscribe for shares in the Company. The maximum number of shares to be granted under the scheme may not exceed 10% of the issued share capital of the Company at the time of granting the option. The movements in the share options granted by the Company during the year are as follows:

|                                  | Number of share options to subscribe for shares at an exercise price (subject to adjustments) per share of |                                    |                                  |                                 |                               |                  |                    |                    | Total<br>'000 |
|----------------------------------|--|------------------------------------|----------------------------------|---------------------------------|-------------------------------|------------------|--------------------|--------------------|---------------|
|                                  | HK\$1.06<br>'000   | HK\$0.177<br>'000                  | HK\$0.092<br>'000                | HK\$0.062<br>'000               | HK\$0.036<br>'000             | HK\$0.02<br>'000 | HK\$0.0122<br>'000 | HK\$0.0120<br>'000 |               |
| Balance at beginning of year     | 10,000   | 39,000                             | 130,000                          | 80,000                          | —                             | —                | —                  | —                  | 259,000       |
| Granted during the year (note 1) | —  | —                                  | —                                | —                               | 120,000                       | 240,000          | 166,000            | 500,000            | 1,026,000     |
| Exercised during the year        | —  | —                                  | —                                | —                               | —                             | (240,000)        | (166,000)          | (500,000)          | (906,000)     |
| Lapsed during the year (note 2)  | (10,000)   | (5,000)                            | —                                | —                               | —                             | —                | —                  | —                  | (15,000)      |
| Balance at end of year           | —  | 34,000                             | 130,000                          | 80,000                          | 120,000                       | —                | —                  | —                  | 364,000       |
| Exercise period                  | N/A  | up to<br>30th<br>November,<br>2008 | up to<br>4th<br>January,<br>2010 | up to<br>26th<br>March,<br>2010 | up to<br>15th<br>May,<br>2010 | N/A              | N/A                | N/A                | N/A           |

Notes:

- (1) At a consideration of HK\$1 per grantee.
- (2) The options lapsed after the resignation from the Company by the respective Directors and employees.

The exercise in full of the outstanding share options at the balance sheet date would, under the present capital structure of the Company, result in the issue of 364,000,000 additional ordinary shares of HK\$0.01 each and cash proceeds of approximately HK\$27,258,000 before related expenses.

## 27. RESERVES

### GROUP

|  | Share<br>premium<br>account<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Goodwill<br>reserve<br>HK\$'000 | Investment<br>property<br>revaluation<br>reserve<br>HK\$'000 | Other<br>asset<br>revaluation<br>reserve<br>HK\$'000 | Exchange<br>fluctuation<br>reserve<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|--|------------------------------------|---------------------------------|--|--|--|-----------------------------------|-------------------|
| Balance at 1st April, 1999   | 944,540                                 | 1,038  | —                                  | (273,814)                       | —  | (1,724)  | 2,018  | (662,801)                         | 9,257             |
| Premium on shares issued upon<br>exercise of share options   | 8,398                                   | —  | —                                  | —                               | —  | —  | —  | —                                 | 8,398             |
| Premium on shares placed   | 273,750                                 | —  | —                                  | —                               | —  | —  | —  | —                                 | 273,750           |
| Share/warrant issue expenses   | (8,715)                                 | —  | —                                  | —                               | —  | —  | —  | —                                 | (8,715)           |
| Reduction of capital   | —                                       | —  | 123,294                            | —                               | —  | —  | —  | —                                 | 123,294           |
| Exchange realignments  | —                                       | —  | —                                  | —                               | —  | —  | 12   | —                                 | 12                |
| Release upon write-off of<br>goodwill in respect of<br>impairment in value of<br>an investment in a subsidiary | —                                       | —  | —                                  | 176,106                         | —  | —  | —  | —                                 | 176,106           |
| Share of exchange fluctuation<br>reserve of associates   | —                                       | —  | —                                  | —                               | —  | —  | (3,191)  | —                                 | (3,191)           |
| Net loss for the year  | —                                       | —  | —                                  | —                               | —  | —  | —  | (456,214)                         | (456,214)         |
| <b>Balance at 31st March, 2000<br/>and 1st April, 2000</b>   | <b>1,217,973</b>                        | <b>1,038</b>                                 | <b>123,294</b>                     | <b>(97,708)</b>                 | <b>—</b>   | <b>(1,724)</b>                                       | <b>(1,161)</b>                                 | <b>(1,119,015)</b>                | <b>122,697</b>    |
| Premium on shares issued upon<br>exercise of share options   | 3,765                                   | —  | —                                  | —                               | —  | —  | —  | —                                 | 3,765             |
| Premium on shares placed   | 88,353                                  | —  | —                                  | —                               | —  | —  | —  | —                                 | 88,353            |
| Premium on shares issued for<br>acquisition of other investments   | 32,400                                  | —  | —                                  | —                               | —  | —  | —  | —                                 | 32,400            |
| Share issue expenses   | (3,335)                                 | —  | —                                  | —                               | —  | —  | —  | —                                 | (3,335)           |
| Exchange realignments  | —                                       | —  | —                                  | —                               | —  | —  | 24   | —                                 | 24                |
| Release upon reclassification of<br>investment properties to properties<br>held for sale                       | —                                       | —  | —                                  | —                               | (15,228)   | —  | —  | —                                 | (15,228)          |
| Release upon write-off of goodwill<br>in respect of impairment in value<br>of an investment in a subsidiary    | —                                       | —  | —                                  | 43,864                          | —  | —  | —  | —                                 | 43,864            |
| Release upon the disposal<br>of subsidiaries (note 5)  | —                                       | —  | —                                  | 53,844                          | 15,228   | 1,724  | (3,393)  | —                                 | 67,403            |
| Share of exchange fluctuation<br>reserve of associates   | —                                       | —  | —                                  | —                               | —  | —  | (676)  | —                                 | (676)             |
| Net loss for the year  | —                                       | —  | —                                  | —                               | —  | —  | —  | (366,696)                         | (366,696)         |
| <b>Balance at 31st March, 2001</b>   | <b>1,339,156</b>                        | <b>1,038</b>                                 | <b>123,294</b>                     | <b>—</b>                        | <b>—</b>   | <b>—</b>   | <b>(5,206)</b>                                 | <b>(1,485,711)</b>                | <b>(27,429)</b>   |
| Reserves retained by/ (accumulated in):  |   |  |                                    |                                 |  |  |  |                                   |                   |
| Company and subsidiaries   | 1,339,156                               | 1,038  | 123,294                            | —                               | —  | —  | —  | (1,491,842)                       | (28,354)          |
| Associates   | —                                       | —  | —                                  | —                               | —  | —  | (5,206)  | 6,131                             | 925               |
| <b>Balance at 31st March, 2001</b>   | <b>1,339,156</b>                        | <b>1,038</b>                                 | <b>123,294</b>                     | <b>—</b>                        | <b>—</b>   | <b>—</b>   | <b>(5,206)</b>                                 | <b>(1,485,711)</b>                | <b>(27,429)</b>   |
| Company and subsidiaries   | 1,217,973                               | 1,038  | 123,294                            | (97,708)                        | —  | (1,724)  | 3,369  | (1,126,645)                       | 119,597           |
| Associates   | —                                       | —  | —                                  | —                               | —  | —  | (4,530)  | 7,630                             | 3,100             |
| <b>Balance at 31st March, 2000</b>   | <b>1,217,973</b>                        | <b>1,038</b>                                 | <b>123,294</b>                     | <b>(97,708)</b>                 | <b>—</b>   | <b>(1,724)</b>                                       | <b>(1,161)</b>                                 | <b>(1,119,015)</b>                | <b>122,697</b>    |

## 27. RESERVES (continued)

### COMPANY

|  | Share<br>premium<br>account<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Accumulated<br>losses<br>HK\$'000 | Total<br>HK\$'000 |
|--|---|--|------------------------------------|-----------------------------------|-------------------|
| Balance at 1st April, 1999                                       | 944,540                                 | 1,038  | —                                  | (936,321)                         | 9,257             |
| Premium on shares issued upon<br>exercise of share options       | 8,398                                   | —  | —                                  | —                                 | 8,398             |
| Premium on shares placed   | 273,750                                 | —  | —                                  | —                                 | 273,750           |
| Share/warrant issue expenses                                     | (8,715)                                 | —  | —                                  | —                                 | (8,715)           |
| Reduction of capital   | —                                       | —  | 123,294                            | —                                 | 123,294           |
| Net loss for the year  | —                                       | —  | —                                  | (272,944)                         | (272,944)         |
| Balance at 31st March, 2000<br>and 1st April, 2000               | 1,217,973                               | 1,038  | 123,294                            | (1,209,265)                       | 133,040           |
| Premium on shares issued upon<br>exercise of share options       | 3,765                                   | —  | —                                  | —                                 | 3,765             |
| Premium on shares placed   | 88,353                                  | —  | —                                  | —                                 | 88,353            |
| Premium on shares issued for<br>acquisition of other investments | 32,400                                  | —  | —                                  | —                                 | 32,400            |
| Share issue expenses   | (3,335)                                 | —  | —                                  | —                                 | (3,335)           |
| Net loss for the year  | —                                       | —  | —                                  | (281,681)                         | (281,681)         |
| <b>Balance at 31st March, 2001</b>                               | <b>1,339,156</b>                        | <b>1,038</b>                                 | <b>123,294</b>                     | <b>(1,490,946)</b>                | <b>(27,458)</b>   |

As at 31st March, 2001, the Company had no reserves available for distribution. Under the Companies Act 1981 of Bermuda (as amended), the Company's share premium account and capital redemption reserve may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company's contributed surplus is distributable to shareholders under certain circumstances, which the Company is currently unable to satisfy.