

30. SHARE CAPITAL

	Number of ordinary shares	Nominal value HK\$'000
Authorised:		
Shares of HK\$0.02 each at 1 April 1999	10,000,000,000	200,000
Increase of authorised share capital by creation of an additional 90,000,000,000 shares of HK\$0.02 each	90,000,000,000	1,800,000
At 31 March 2000 and 1 April 2000	100,000,000,000	2,000,000
Subdivision of authorised share capital from 100,000,000,000 shares of HK\$0.02 each to 200,000,000,000 shares of HK\$0.01 each in June 2000 (note ii)	100,000,000,000	–
	200,000,000,000	2,000,000
Subdivision of authorised share capital from 200,000,000,000 shares of HK\$0.01 each to 1,000,000,000,000 shares of HK\$0.002 each in August 2000 (note iii)	800,000,000,000	–
	1,000,000,000,000	2,000,000
Consolidation of authorised share capital of every five shares of HK\$0.002 each into one share of HK\$0.01 each in August 2000 (note iii)	(800,000,000,000)	–
Shares of HK\$0.01 each at 31 December 2000	200,000,000,000	2,000,000
Issued and fully paid:		
Shares of HK\$0.02 each at 1 April 1999	5,240,951,448	104,819
New share placements to private and institutional investors	8,878,000,000	177,560
Exercise of share options	1,219,746,000	24,395
Issued as partial compensation in relation to the listing of a former associate	256,410,256	5,128
At 31 March 2000 and 1 April 2000	15,595,107,704	311,902
Rights issue in May 2000 (note i)	31,190,215,408	623,804
	46,785,323,112	935,706
Reduction of nominal value of issued shares from HK\$0.02 each to HK\$0.01 each in June 2000 (note ii)	–	(467,853)
	46,785,323,112	467,853

30. SHARE CAPITAL *(Continued)*

	Number of ordinary shares	Nominal value HK\$'000
Reduction of nominal value of issued shares from HK\$0.01 each to HK\$0.002 each and consolidation of every five shares of HK\$0.002 each into one share of HK\$0.01 each in August 2000 (note iii)	(37,428,258,490)	(374,283)
	9,357,064,622	93,570
Shares of HK\$0.01 each		
Exercise of share options	616,830,000	6,169
Shares of HK\$0.01 each at 31 December 2000	9,973,894,622	99,739

During the period ended 31 December 2000, the following changes in share capital of the Company took place:

Notes:

- (i) In May 2000, the Company issued 31,190,215,408 rights shares of HK\$0.02 each at a subscription price of HK\$0.02 per rights share in the proportion of two rights shares for every one existing share then held by qualifying shareholders. The net proceeds were applied for repaying indebtedness, investing in internet and internet related business, making further investments and for working capital.
- (ii) In June 2000, the Company adjusted the nominal value of all the ordinary shares of HK\$0.02 each in the Company by reducing the nominal value of all the issued shares from HK\$0.02 each to HK\$0.01 each by cancelling HK\$0.01 of the paid up capital of each issued share by way of a reduction of share capital amounting to HK\$467,853,000 in accordance with Section 46 of the Companies Act 1981 of Bermuda and by subdividing every unissued shares from HK\$0.02 each into two unissued shares of HK\$0.01 each. As a result, the authorised share capital of the Company was changed from 100,000,000,000 shares of HK\$0.02 each into 200,000,000,000 shares of HK\$0.01 each.
- (iii) In August 2000, the nominal value of all the issued shares was further reduced from HK\$0.01 each to HK\$0.002 each by cancelling HK\$0.008 of the paid up capital of each issued share by way of a reduction of share capital amounting to HK\$374,283,000 in accordance with Section 46 of the Companies Act 1981 of Bermuda and every five adjusted issued and unissued shares of HK\$0.002 each were consolidated into one consolidated share of HK\$0.01 each.

All new shares issued as a result of rights issue and exercise of share options rank pari passu with the then existing shares in all respects.

30. SHARE CAPITAL *(Continued)***Share Option Scheme**

Pursuant to the Share Option Scheme which became effective on 15 December 1995, the directors of the Company may, at their discretion, grant options to any director or employee of the Company, or any of its subsidiaries, to subscribe for shares in the Company at a price neither less than the par value of the shares nor at a discount of more than 20% of the average closing price of the shares on the Stock Exchange on the five dealing days immediately preceding the date of the grant of the options. The maximum number of share options granted should not be more than 10% of the issued share capital of the Company from time to time.

During the period, 619,230,000 share options were granted for total consideration of HK\$36 with the exercise price of the share options ranging from HK\$0.0144 to HK\$0.02048 per share. During the period, 616,830,000 share options had been exercised. At 31 December 2000, options to subscribe for the Company's ordinary shares within the following exercise period were outstanding (31/03/2000: 10,000,000 ordinary shares):

Exercise period	Exercise price per share HK\$	Number of shares
9 October 1997 – 8 October 2007	1.693 (note)	6,000,000 (note)
25 August 2000 – 24 August 2010	0.02048	2,400,000

Note:

Following the rights issue and share consolidation during the period, the outstanding options to subscribe for the Company's ordinary shares were decreased from 10,000,000 ordinary shares with exercise price of HK\$0.42 as at 31 March 2000 to 6,000,000 ordinary shares with exercise price of HK\$1.693 as at 31 December 2000.

31. RESERVES

	Share Premium account HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Investment revaluation deficit HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE GROUP								
At 1 April 1999	1,344,120	99	33,455	11,131	–	–	(1,090,557)	298,248
Issue of new shares, net of expenses	208,814	–	–	–	–	–	–	208,814
Loss for the year	–	–	–	–	–	–	(500,941)	(500,941)
At 31 March 2000 and 1 April 2000	1,552,934	99	33,455	11,131	–	–	(1,591,498)	6,121
Issue of new shares, net of expenses	(9,588)	–	–	–	–	–	–	(9,588)
Deficit on revaluation of other securities	–	–	–	–	(33,921)	–	–	(33,921)
Premium paid by a subsidiary for repurchase of its shares	–	–	–	(3,726)	–	–	–	(3,726)
Arising from cancellation and reduction of share capital	–	–	–	–	–	842,136	–	842,136
Arising from acquisition of interest in a subsidiary	–	–	–	11,149	–	–	–	11,149
Arising from subscription of new shares of a subsidiary	–	–	–	776	–	–	–	776
Loss for the period	–	–	–	–	–	–	(369,056)	(369,056)
At 31 December 2000	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,960,554)	443,891
Attributable to:								
The Company and subsidiaries	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,918,792)	485,653
Associates	–	–	–	–	–	–	(41,762)	(41,762)
	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,960,554)	443,891

31. RESERVES

	Share premium account HK\$'000	Capital Redemption Reserve HK\$'000	Investment revaluation deficit HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
THE COMPANY						
At 1 April 1999	1,344,120	99	–	391,148	(1,486,868)	248,499
Issue of new shares, net of expenses	208,814	–	–	–	–	208,814
Loss for the year	–	–	–	–	(697,695)	(697,695)
At 31 March 2000 and 1 April 2000	1,552,934	99	–	391,148	(2,184,563)	(240,382)
Issue of new shares, net of expenses	(9,588)	–	–	–	–	(9,588)
Arising from cancellation and reduction of share capital	–	–	–	842,136	–	842,136
Deficit on revaluation of other securities	–	–	(9,627)	–	–	(9,627)
Loss of the period	–	–	–	–	(320,553)	(320,553)
At 31 December 2000	1,543,346	99	(9,627)	1,233,284	(2,505,116)	261,986

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value 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 1989.

The contributed surplus to the extent of HK\$391,148,000 represents the difference between the consolidated net assets of the subsidiaries at the date on 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 1989. The remaining balance of HK\$842,136,000 is transferred from share capital pursuant to the capital reduction made during the period as detailed in note 30.

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 if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- 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.

At the balance sheet date, the Company has no reserves available for distribution to the shareholders.

32. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Loss before taxation	(594,914)	(498,870)
Share of results of associates	(1,076)	40,348
Amortisation of goodwill of subsidiaries	26,522	—
Amortisation of goodwill of associates	1,672	—
Amortisation of long term investments	—	1,724
Bank interest income	(5,248)	(478)
Net deficit arising on revaluation of investment properties	14,760	2,342
Depreciation	10,695	12,950
Net loss on disposals of interest in subsidiaries	—	23,105
Interest expense on bank and other borrowings	42,061	60,242
Interest income on other loan receivable	(60)	(53)
Interest on obligations under hire purchase contracts	37	141
Gain on dilution of interest in a subsidiary	(13,118)	—
(Gain)/loss on disposals of interests in associates	(2,643)	94,829
Loss on disposal of property, plant and equipment	1,766	4,530
Loss on disposal of investment properties	—	1,261
Net provision for bad and doubtful debts	49,166	33,218
Provision for diminution in value of:		
– goodwill on consolidation of subsidiaries	229,000	—
– goodwill on acquisition of associates	10,189	—
– other securities	101,716	—
– long term investment	—	42,673
– interest in an unconsolidated subsidiary	—	30,986
Provision for amounts paid for acquisition of a subsidiary	—	70,000
Unrealised loss on trading securities	125,173	4,153
Waiver of a loan	—	(1,605)
Increase in short term loans receivable	(131,632)	(21,327)
Decrease/(increase) in trade and other receivables	26,208	(21,840)
Increase in trading securities	(95,676)	(46,373)
Decrease in trade and other payables	(92,728)	(2,492)
Decrease in deposits received	—	(1,532)
Increase in amounts due to minority shareholders	4,134	—
Decrease in properties held for sale	—	5,000
Decrease in inventories	—	3,656
Net cash outflow from operating activities	(293,996)	(163,412)

33. ACQUISITION OF INTERESTS IN SUBSIDIARIES

	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	29,808	26,742
Interests in associates	13,445	–
Other long term assets	6,000	–
Trade and other receivables	105,965	132
Short term loans receivable	39,435	–
Trading securities	134,374	–
Bank balances and cash	108,110	–
Bank overdraft	(885)	–
Trade and other payables	(71,167)	(21)
Other short term loans	(190,000)	–
Provision for taxation	(2,330)	(477)
Minority interests	(58,340)	–
	114,415	26,376
Capital reserve on acquisition	(11,149)	–
Goodwill on acquisition	266,906	124
	370,172	26,500
Satisfied by:		
Cash consideration	334,733	26,500
Reclassified from interest in an associate	35,439	–
	370,172	26,500

33. ACQUISITION OF INTERESTS IN SUBSIDIARIES *(Continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of interests in subsidiaries:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Cash consideration	334,733	26,500
Cash and bank balances acquired	(108,110)	–
Bank overdraft acquired	885	–
Other loans with maturity within three months acquired	160,000	–
Net outflow of cash and cash equivalents in respect of the purchase of interests in subsidiaries	387,508	26,500

The subsidiaries purchased during the period contributed HK\$123,851,000 (31/03/2000: HK\$21,000) to the Group's turnover, a loss of HK\$341,990,000 (31/03/2000: HK\$2,341,000) to the Group's operating results and net operating cash outflow of HK\$111,301,000 (31/03/2000: Nil), utilised a net cash outflow of HK\$26,869,000 (31/03/2000: Nil) in respect of investing activities and funds of HK\$21,405,000 (31/03/2000: Nil) for financing activities.

34. DISPOSALS OF INTERESTS IN SUBSIDIARIES

	31/12/2000 HK\$'000	31/03/2000 HK\$'000
Net assets disposed of:		
Property, plant and equipment	–	12,313
Investment properties	–	10,000
Interests in associates	–	10,552
Other long term assets	–	34,529
Inventories	–	9,923
Trade and other receivables	–	47,078
Trading securities	–	28,958
Bank deposits pledged	–	11,012
Bank balances and cash	–	7,511
Trade and other payables	–	(65,927)
Other loans	–	(3,805)
Short term bank loans	–	(6,538)
Bank overdrafts	–	(2,631)
Obligations under finance leases	–	(56)
Provision for taxation	–	124
Minority interest	–	(23,828)
	–	69,215
Release of goodwill	–	17,547
Loss on disposals of interests in subsidiaries	–	(23,105)
	–	63,657
Satisfied by:		
Cash	–	63,657

Analysis of the net inflow of cash and cash equivalents in respect of the disposals of interests in subsidiaries:

	01/04/2000 to 31/12/2000 HK\$'000	01/04/1999 to 31/03/2000 HK\$'000
Cash consideration	–	63,657
Bank balances and cash disposed of	–	(7,511)
Bank overdrafts	–	2,631
Net inflow of cash and cash equivalents in respect of the disposals of interests in subsidiaries	–	58,777

The subsidiaries disposed of during the year ended 31 March 2000 contributed HK\$3,679,000 to the Group's turnover, a loss of HK\$92,727,000 to the Group's operating result, a net operating cash outflow of HK\$87,791,000, and net cash inflow of HK\$27,948,000 in respect of investing activities and raised funds of HK\$59,879,000 from financing activities.

35. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD/YEAR

	Share capital (including premium) HK\$'000	Bank loans and other loans HK\$'000	Convertible note HK\$'000	Amount due to a director HK\$'000	Obligations under hire purchase contracts HK\$'000
Balance at 1 April 1999	1,448,939	660,837	—	925	56
Issue of shares for cash	410,177	—	—	—	—
Expenses incurred on issue of shares	(4,280)	—	—	—	—
Issue for compensation in relation to the listing of a former associate	10,000	—	—	—	—
New loans obtained	—	49,295	—	—	—
Repayment of loans and obligations under hire purchase contracts	—	(104,677)	—	(925)	(570)
Inception of hire purchase contracts	—	—	—	—	2,534
Elimination on disposals of subsidiaries	—	(10,343)	—	—	(56)
Elimination on unconsolidation of a subsidiary	—	(40,207)	—	—	—
Termination of hire purchase contracts on disposals of property, plant and equipment	—	—	—	—	(1,441)
Balance at 31 March 2000 and 1 April 2000	1,864,836	554,905	—	—	523
Acquisition of subsidiaries	—	190,000	—	—	—
Issue of shares for cash	634,402	—	—	—	—
Reduction of share capital	(842,136)	—	—	—	—
Expenses incurred on issue of shares	(14,017)	—	—	—	—
Issue of convertible note	—	—	53,000	—	—
New loans obtained	—	123,446	—	—	—
Repayment of loans and obligations under hire purchase contracts	—	(214,142)	—	—	(96)
Inception of a hire purchase contract	—	—	—	—	64
Decrease in other loans with maturity within three months	—	(63,000)	—	—	—
Balance at 31 December 2000	1,643,085	591,209	53,000	—	491