

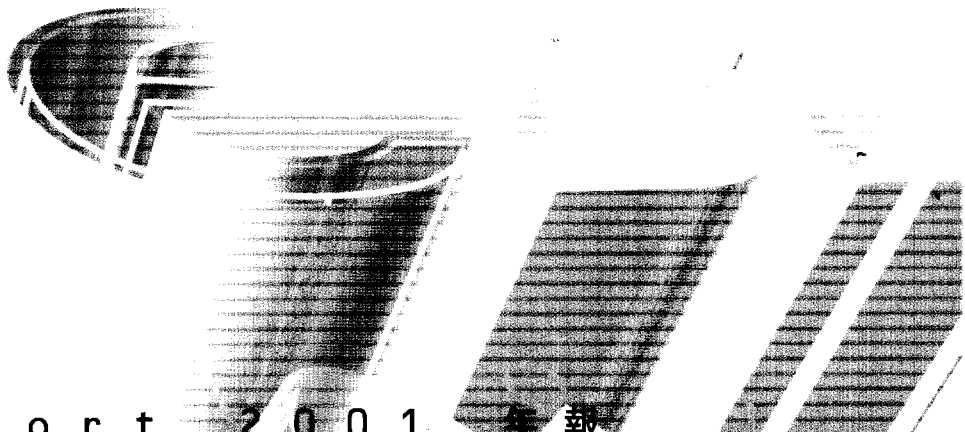
# eBiz.

eBiz.hk.com Limited

384 HK

ENGLISH + CHINESE

3/31/01



annual report 2001 年報

**eBiz.hk.com Limited**

**聯網商業香港有限公司**

*(Incorporated in Bermuda with limited liability)*

*(於百慕大註冊之有限公司)*

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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	Chan Heng Fai ( <i>Chairman and Managing Director</i> ) Chan Yoke Keow Chan Sook Jin, Mary-ann Lau Man Tak Fong Kwok Jen Wooldridge Mark Dean Chan Tong Wan Lee Ka Leung, Daniel Wong Dor Luk, Peter Da Roza Joao Paulo
<b>COMPANY SECRETARY</b>	Yuen Ping Man
<b>REGISTERED OFFICE</b>	Clarendon House Church Street Hamilton HM 11 Bermuda
<b>PRINCIPAL PLACE OF BUSINESS</b>	326 Kwun Tong Road Kwun Tong Kowloon Hong Kong
<b>PRINCIPAL BANKER</b>	Hang Seng Bank Limited
<b>LEGAL ADVISORS</b>	
<b>Hong Kong Bermuda</b>	Herbert Smith Conyers, Dill & Pearman
<b>AUDITORS</b>	Deloitte Touche Tohmatsu
<b>PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE</b>	Butterfield Corporate Services Limited Rosebank Centre 14 Bermudiana Road Pembroke Bermuda
<b>HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE</b>	Central Registration Hong Kong Limited 17th Floor Hopewell Centre 183 Queen's Road East Hong Kong

# CHAIRMAN'S STATEMENT

On behalf of the Board, I present to you the annual report of eBiz.hk.com Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended March 31, 2001.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial highlights

Due to the weak consumers sentiment in Hong Kong resulting from the continued high unemployment rate, the financial year under review was a tough year for the Group.

During the year under review, the Group resulted in turnover of approximately HK\$4.2 million, representing a decrease of 62% in comparison with the previous corresponding year. The reduction in turnover is mainly due to a decrease in the retailing of fashion apparel and accessories. In connection with contraction in turnover, the Group succeeded in controlling the distribution costs in the amount of HK\$2.9 million which represented a decrease of 44% when compared with last year.

### Review of operations

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the retailing of fashion apparel and accessories, property investment and financial and securities investment.

Harsh competition and sluggish customer demand continue to affect the retail market. With the downturn of all the internet related businesses in this fiscal period, the adversity of the market has made business more difficult. The Group's expectations for ecommerce with the website – instantstyle.com have not been met and results have been disappointing.

The Group's retailing of fashion apparel and accessories reported an operating profit before taxation of HK\$1.8 million, while sales dropped by 60% to HK\$3.6 million. The implementation of the Mandatory Provident Fund ("MPF") and the shift of consumer expenditure to the People's Republic of China have reduced consumer spending in the economy as a whole.

The Group continued with its efforts to consolidate operations. Non-performing shops were closed as the Group streamlined its retail business. Further cost cutting measures focusing on reducing operating overheads will be implemented.

Due to the uncertainty of the property market, the development of the sites will be deferred. The Group however intends to continue with efforts to find joint venture partners with which to explore the potential of the sites.

# CHAIRMAN'S STATEMENT

## Corporate Development

In connection with the acquisition of the three subsidiaries (the "Property Companies") during the year, the Company entered into an agreement with Online Credit International Limited ("OCIL") on November 24, 2000, pursuant to which, the Company agreed to acquire and OCIL agreed to sell the entire issue share capital of the Property Companies, (wholly-owned subsidiaries of OCIL), and the shareholders' loan owing by the Property Companies to OCIL in an aggregate amount of HK\$102.2 million for an aggregate consideration of HK\$56.4 million.

The consideration for the acquisition would be satisfied by way of issue and allotment of 56,402,477 new Preference shares at HK\$1 each. The new Preference shares can be converted into new shares at an initial conversion price of HK\$0.20 each, subject to adjustments.

Such acquisitions represent an opportunity for the Company to acquire additional commercial properties with recurrent rental income and potential capital appreciation. In addition, the acquisitions allow the Company to strengthen its asset base.

## Outlook

In view of the uncertain economic condition, the retail business in Hong Kong is expected to remain bleak for some time. In addition, the business environment of the local retail industry will continue to be difficult as the MPF not only increases the operating costs of the retailers but also weakens customers' purchasing power.

Looking ahead, the management will continue its prudent management policy and take steps to improve the Group's business and will explore other business opportunities which are in line with the Group's development strategy so as to sustain long term growth.

## Employee Information

As at March 31, 2001, there were 7 employees employed by the Group. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

## Financial Resources and Capital Structure

The Group currently funds its operations through cash from operations and an unsecured loan from its ultimate holding company.

Save as disclosed above, the Group had no other borrowings as at March 31, 2001. The Board expect that on a long term basis, the Group's liquidity will be funded from its operations and if necessary, additional equity financing.

# CHAIRMAN'S STATEMENT

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from August 24, 2001 to August 29, 2001 (both days inclusive) for the purpose of establishing entitlements of shareholders to vote at the Annual General Meeting. During the period, no transfer of shares can be registered. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's Branch Registrar, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on August 23, 2001.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express its profound gratitude to all staff members, shareholders, bankers, customers and professional bodies for the sincere support they have provided.

By Order of the Board  
**CHAN HENG FAI**  
*Chairman & Managing Director*

Hong Kong, July 26, 2001

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### DIRECTORS

#### Executive Directors

Mr. Chan Heng Fai, aged 57, is the Chairman and Managing Director of the Company and is responsible for the Group's overall corporate policy. His experience and expertise are in the finance and banking sectors. Mr. Chan has been a director of Online Credit International Limited, ("Online Credit") the Company's ultimate holding company, since 1992. Prior to that, Mr. Chan was a director of a financial institution in the United States and several listed companies engaged in investment banking activities and property development in North America. Mr. Chan joined the Group in September 1997 and is the spouse of Ms. Chan Yoke Keow.

Ms. Chan Yoke Keow, aged 53. Ms. Chan was appointed as a director of Online Credit in 1992 and is responsible for general administration and strategic planning of Online Credit. Ms. Chan has over 20 years' experience in financial management and administration and is responsible for the financial management of the Group. She is a member of the Hong Kong Securities Institute. Ms. Chan joined the Group in September 1997 and is the spouse of Mr. Chan Heng Fai.

Ms. Chan Sook Jin, Mary-ann, aged 30, has been a director of the Company since September 1997. Ms. Chan is responsible for retail operations and involved with the development of Marketing for the Group. Ms. Chan has previous experience with one of the leading banks in Hong Kong where she was involved in sales and marketing as well as relationship management for the Regional Securities office. Ms. Chan is the daughter of Mr. Chan Heng Fai and Ms. Chan Yoke Keow.

Mr. Lau Man Tak, aged 32. Mr. Lau graduated from the Hong Kong Polytechnic University with a Bachelor's Degree in Accountancy and worked in an international accounting firm for over 3 years before joining Online Credit in 1995 as financial controller. Mr. Lau is an associate member of the Chartered Association of Certified Accountants and of the Hong Kong Society of Accountants and a member of the Hong Kong Securities Institute. He joined the Group in September 1997 and is responsible for the accounting and cashflow management of the Group.

#### Non-Executive Directors

Mr. Fong Kwok Jen, aged 52, is a solicitor practising in Singapore. Mr. Fong is also a non-executive director of Online Credit and was appointed as a non-executive director in September 1997.

Mr. Wooldridge Mark Dean, aged 33, is a regional manager of one of the leading banks in Hong Kong and is responsible for overall international system strategy development for securities processing. Mr. Wooldridge was appointed as a non-executive director in September 1997 and is the spouse of Ms. Chan Sook Jin, Mary-ann.

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### DIRECTORS – *continued*

#### Non-Executive Directors – *continued*

Mr. Chan Tong Wan (Tony), aged 26, began his career by working in two international companies as an investment banker specializing in Asian equity financial products. Since July 1999, Mr. Chan has worked for American Fronteer Financial Corporation as an investment banker and as Chief Operating Officer of eVision USA.Com, Inc., a finance and technology company in the United States (OTCBB: EVIS), where he is coordinating the synergistic growth strategies of its various subsidiaries. Mr. Chan joined the Group as a non-executive director in August 1999 and is the son of Mr. Chan Heng Fai and Ms. Chan Yoke Keow.

#### Independent Non-executive Directors

Mr. Wong Dor Luk, Peter, aged 59, has over 30 years' experience in the fashion industry including distribution, sourcing, overseeing manufacturing and exporting to international clients in France, the United Kingdom, Germany and the US. Mr. Wong was appointed as an independent non-executive director in September 1997.

Mr. Lee Ka Leung, Daniel, aged 43, is a certified public accountant and is admitted to practise in Hong Kong. He is a fellow of the Chartered Association of Certified Accountants, a fellow of the Hong Kong Society of Accountants and a member of the Taxation Institute of Hong Kong. Mr. Lee is also currently the managing partner of K.L. Lee & Partners C.P.A. Limited, and is an independent non-executive director of Online Credit. Mr. Lee was appointed as an independent non-executive director in September 1997.

Mr. Da Roza Joao Paulo, aged 50, is the personnel officer of an airport services company in Hong Kong. Mr. Da Roza has experience in China trade and real estates industry and was appointed as an independent non-executive director in August 1999.

### SENIOR MANAGEMENT

Ms. Wong Pui Man, aged 34, is the retail manager. She joined the Group in October 1996 and is responsible for the retail management of the Group's retail outlets. She holds a Master's Degree in Business Administration from University of Keele in United Kingdom. She has over 9 years' experience of retail management.

Mr. Yuen Ping Man, aged 37, is the company secretary of the Group. He is also the company secretary, human resource and customer service manager of Online Credit Card Limited ("OCCL") responsible for the human resource, customer service, general administration and corporate secretarial function of OCCL. Prior to joining OCCL in June 1997, Mr. Yuen worked in two listed groups and a financial institution for over eight years in the administration, human resources, company secretarial and legal compliance areas. Mr. Yuen is an associate member of the Institute of Chartered Secretaries and Administrators and of the Hong Kong Institute of Company Secretaries, and a member of the Hong Kong Securities Institute, the Hong Kong Institute of Human Resource Management and the Hong Kong Institute of Purchasing & Supply.



## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the **ANNUAL GENERAL MEETING** of eBiz.hk.com Limited (the "Company") will be held at Victoriana Room, 4th Floor, Furama Hotel Hong Kong, 1 Connaught Road Central, Hong Kong, on Thursday, August 30, 2001 at 9:00 a.m. for the following purposes:-

1. To receive and consider the audited financial statements and the reports of the directors and of the auditors for the year ended March 31, 2001;
2. To re-elect retiring directors and to authorise the Board of Directors to fix their remuneration;
3. To re-appoint auditors and to authorise the Board of Directors to fix their remuneration;

As special business, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:-

4. **THAT:-**

- (a) subject to paragraph (c) of this Resolution, the exercise by the directors of the Company (the "Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company ("Shares"), and to make or grant offers, agreements and options (including warrants, bonds, and debentures convertible into shares of the Company) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved in substitution for and to the exclusion of any existing authority previously granted;
- (b) the approval in paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds, and debentures convertible into ordinary shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the exercise of option(s) granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares in the capital of the Company or rights to acquire shares in the capital of the Company; (iii) an issue of shares in the Company in lieu of the whole or part of a dividend on shares of the Company in accordance with the Company's bye-laws; or (iv) upon the exercise of rights of subscription or conversion attaching to any outstanding warrants issued by the Company or any securities which are convertible into shares of the Company shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this Resolution and the said approval shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:–

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of Bermuda or the bye-laws of the Company to be held; and
- (iii) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares in the Company pursuant to an offer of shares in the Company open for a period fixed by the Directors to holders of shares in the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory applicable to the Company).

By Order of the Board  
**Yuen Ping Man**  
*Company Secretary*

Hong Kong, July 26, 2001

*Notes:*

1. A member entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the principal office of the Company in Hong Kong in any event not less than 48 hours before the time appointed for holding the Meeting. Completion and return of a form of proxy will not preclude you from attending and voting in person if you so wish are subsequently able to be present.

# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended March 31, 2001.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the retailing of fashion apparel and accessories, property investment and financial and securities investment.

The Group's turnover and contribution to operating loss for the year ended March 31, 2001 and 2000, analysed by principal activity and geographical market, are set out in note 4 to the financial statements.

## SUBSIDIARIES

Details of the Company's principal subsidiaries at March 31, 2001 are set out in note 16 to the financial statements.

## RESULTS

The results of the Group for the year ended March 31, 2001 are set out in the consolidated income statement on page 16.

## RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 44.

## INVESTMENT PROPERTIES

Movements in the investment properties of the Group during the year are set out in note 13 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## MAJOR PROPERTIES

Details of the major properties of the Group at March 31, 2001 are set out on page 45.

# DIRECTORS' REPORT

## SHARE CAPITAL

Movements in the share capital of the Company are set out in note 22 to the financial statements.

## DIRECTORS

The directors of the Company during the year and up to the date of this report are:

### Executive directors

Chan Heng Fai  
Chan Yoke Keow  
Chan Sook Jin, Mary-ann  
Lau Man Tak

### Non-executive directors

Fong Kwok Jen  
Wooldridge Mark Dean  
Chan Tong Wan

### Independent non-executive directors

Lee Ka Leung, Daniel  
Wong Dor Luk, Peter  
Da Roza Joao Paulo

In accordance with Clause 87 of the Company's Bye-laws, Messrs. Lau Man Tak, Chan Tong Wan and Da Roza Joao Paulo will retire and, being eligible, offer themselves for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the above clause of the Company's Bye-laws.

## DIRECTORS' INTERESTS IN SHARES

None of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance").

## DIRECTORS' REPORT

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The Company's ultimate holding company, Online Credit International Limited ("OCIL") has a share option scheme which enables its directors to grant options to subscribe for shares in OCIL to executive directors and employees of OCIL and its subsidiaries ("Online Credit Scheme").

The share options granted under Online Credit Scheme to certain directors of the Company are as follows:

Name of director	Date granted	Exercise period	Exercise price HK\$	Balance at 4.1.2000 and 3.31.2001
Chan Heng Fai	4.22.1996	4.22.1996 – 4.21.2006	0.4025	1,000,000
	5.15.1997	5.15.1997 – 5.14.2007	0.4512	6,660,000
	10.26.1997	10.26.1997 – 10.25.2007	0.3064	14,400,000
Chan Yoke Keow	4.22.1996	4.22.1996 – 4.21.2006	0.4025	2,071,739
	5.15.1997	5.15.1997 – 5.14.2007	0.4512	6,660,000
	10.26.1997	10.26.1997 – 10.25.2007	0.3064	14,400,000
Chan Sook Jin, Mary-ann	10.26.1997	10.26.1997 – 10.25.2007	0.3064	25,000,000
Lau Man Tak	5.15.1997	5.15.1997 – 5.14.2007	0.4512	2,000,000
	10.26.1997	10.26.1997 – 10.25.2007	0.3064	1,500,000

No share option was granted or exercised during the year.

In addition, the Company has a share option scheme which enables the directors to grant options to subscribe for shares in the Company to eligible employees, including executive directors, of the Company and its subsidiaries (the "Scheme"). Details of the Scheme are set out in note 23 to the financial statements.

## DIRECTORS' REPORT

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES – *continued*

The share options granted under the Scheme to certain directors of the Company are as follows:

Name of director	Date granted	Exercise period	Exercise price HK\$	Balance at 4.1.2000 and 3.31.2001
Chan Heng Fai	2.10.1998	2.10.1998 – 2.9.2008	0.11	3,136,000
Chan Yoke Keow	2.10.1998	2.10.1998 – 2.9.2008	0.11	3,136,000
Chan Sook Jin, Mary-ann	2.10.1998	2.10.1998 – 2.9.2008	0.11	1,500,000
Lau Man Tak	2.10.1998	2.10.1998 – 2.9.2008	0.11	1,500,000

No share option was granted or exercised during the year.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries or its ultimate holding company or any of its fellow subsidiaries, a party to any arrangements to enable the directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors nor the chief executives nor their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such rights during the year.

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, no other contract of significance to which the Company or any of its subsidiaries or its ultimate holding company or any of its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### CONNECTED TRANSACTIONS

In connection with the acquisition of the three subsidiaries (the "Property Companies") during the year, the Company entered into an agreement with OCIL on November 24, 2000, pursuant to which, the Company agreed to acquire and OCIL agreed to sell the entire issue share capital of the Property Companies, (wholly-owned subsidiaries of OCIL), and the shareholders' loans owing by the Property Companies to OCIL in an aggregate amount of HK\$102,168,228 for an aggregate consideration of HK\$56,402,477.

The consideration for the acquisition would be satisfied by way of issue and allotment of 56,402,477 new Preference shares at HK\$1 each. The new Preference shares can be converted into new shares at an initial conversion price of HK\$0.20 each, subject to adjustments.

## DIRECTORS' REPORT

### SUBSTANTIAL SHAREHOLDERS

At March 31, 2001, the register of substantial shareholders maintained by the Company under section 16(1) of the SDI Ordinance, showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Name	Direct interest	Deemed interest
Sure World Capital Limited <i>(Note)</i>	101,557,700 Ordinary shares	–
Rasa Sayang Limited <i>(Note)</i>	10,104,000 Ordinary shares	–
Heng Fung Capital Company Limited <i>(Note)</i>	3,388,000 Ordinary shares	–
Heng Fung Underwriter Limited <i>(Note)</i>	200,000 Ordinary shares	–
OCIL	2,692,307 Ordinary shares	117,942,007 Ordinary shares
	123,902,477 non-voting cumulative Preference shares	–

Note: These companies are wholly-owned subsidiaries of OCIL.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at March 31, 2001.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended March 31, 2001, the percentage of the Group's purchases attributable to the largest supplier was 56% and the Group has only three suppliers. The percentage of the Group's turnover attributable to the five largest customers represented less than 30% of the Group's total turnover. None of the directors, their associates or any shareholders who, to the knowledge of the directors, owned more than 5% of the Company's share capital had an interest in any of the Group's suppliers.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## DIRECTORS' REPORT

### PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended March 31, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors are not appointed for a specific term but are subject to a retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint, Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**CHAN HENG FAI**

*CHAIRMAN*

July 26, 2001



# AUDITORS' REPORT

## 德勤·關黃陳方會計師行

Certified Public Accountants  
26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong

香港中環干諾道中111號  
永安中心26樓

**Deloitte  
Touche  
Tohmatsu**

### **TO THE MEMBERS OF EBIZ.HK.COM LIMITED**

聯網商業香港有限公司

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 16 to 43 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at March 31, 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

July 26, 2001

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED MARCH 31, 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
Turnover	4	4,169	10,966
Cost of sales		<u>(1,961)</u>	<u>(2,990)</u>
Gross profit		2,208	7,976
Other revenue	5	878	932
Distribution costs		(2,911)	(5,194)
Administrative expenses		(4,648)	(4,487)
Unrealised holding (loss) gain on investments in securities		<u>(692)</u>	<u>286</u>
Loss from operations	6	(5,165)	(487)
Finance costs	7	<u>(7)</u>	<u>(3)</u>
Loss before taxation		(5,172)	(490)
Taxation	10	<u>-</u>	<u>(157)</u>
Net loss for the year	11	<u><u>(5,172)</u></u>	<u><u>(647)</u></u>
Loss per share			
Basic	12	<u><u>2.48 cents</u></u>	<u><u>0.32 cent</u></u>

# CONSOLIDATED BALANCE SHEET

AT MARCH 31, 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
<b>Non-current Assets</b>			
Investment properties	13	15,630	2,370
Property, plant and equipment	14	13,917	14,585
Properties held for development	15	43,100	–
		72,647	16,955
<b>Current Assets</b>			
Inventories	17	–	500
Trade and other receivables	18	490	616
Investments in securities	19	359	655
Pledged bank deposits	31	1,051	2,020
Bank balances and cash		442	1,638
		2,342	5,429
<b>Current Liabilities</b>			
Trade and other payables	20	2,253	2,163
Bills payable		–	217
Trust receipt loans, secured		–	201
Amount due to ultimate holding company		1,581	–
Amount due to a fellow subsidiary		389	276
Taxation		346	157
		4,569	3,014
<b>Net Current (Liabilities) Assets</b>		(2,227)	2,415
		70,420	19,370
<b>Capital and Reserves</b>			
Share capital	22	125,985	69,583
Reserves	24	(55,565)	(50,213)
		70,420	19,370
		70,420	19,370

The financial statements on pages 16 to 43 were approved by the Board of Directors on July 26, 2001 and are signed on its behalf by:

**CHAN HENG FAI**  
DIRECTOR

**LAU MAN TAK**  
DIRECTOR

# BALANCE SHEET

AT MARCH 31, 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
<b>Non-current Assets</b>			
Interests in subsidiaries	16	57,106	—
<b>Current Assets</b>			
Trade and other receivables		126	16
Bank balances and cash		160	1,090
		286	1,106
<b>Current Liabilities</b>			
Trade and other payables		1,148	935
Amount due to ultimate holding company		1,475	—
		2,623	935
<b>Net Current (Liabilities) Assets</b>			
		(2,337)	171
		<u>54,769</u>	<u>171</u>
<b>Capital and Reserves</b>			
Share capital	22	125,985	69,583
Reserves	24	(73,663)	(71,829)
		52,322	(2,246)
<b>Non-current Liabilities</b>			
Amounts due to subsidiaries	21	2,447	2,417
		<u>54,769</u>	<u>171</u>

CHAN HENG FAI  
DIRECTOR

LAU MAN TAK  
DIRECTOR

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2001

	<b>2001</b> HK\$'000	<b>2000</b> HK\$'000
Revaluation decrease on land and buildings	(140)	(3,087)
Revaluation decrease on investment properties	(40)	(316)
	<hr/>	<hr/>
Losses not recognised in the income statement	(180)	(3,403)
Net loss for the year	(5,172)	(647)
	<hr/>	<hr/>
Total recognised losses	<u>(5,352)</u>	<u>(4,050)</u>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2001

	NOTES	2001 HK\$'000	2000 HK\$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	<u>(2,291)</u>	<u>(1,900)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(7)	(3)
Interest received		128	171
Dividend income received		<u>5</u>	<u>41</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>126</u>	<u>209</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(36)	(102)
Proceeds from disposal of property, plant and equipment		15	-
Decrease in pledged bank deposits		969	68
Purchase of subsidiaries, net of cash and cash equivalents acquired	27	<u>222</u>	<u>-</u>
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		<u>1,170</u>	<u>(34)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(995)</u>	<u>(1,725)</u>
FINANCING	28		
Share conversion expenses		-	(25)
Repayment of trust receipt loans		<u>(201)</u>	<u>(72)</u>
CASH OUTFLOW FROM FINANCING		<u>(201)</u>	<u>(97)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(1,196)	(1,822)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		<u>1,638</u>	<u>3,460</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u><u>442</u></u>	<u><u>1,638</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		<u><u>442</u></u>	<u><u>1,638</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Online Credit International Limited ("OCIL"), another public company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The Company acts as an investment holding company. Its subsidiaries are principally engaged in the retailing of fashion apparel and accessories, property investment and financial and securities investment.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis because OCIL has agreed to provide adequate funds to enable the Company to meet in full its financial obligations as they fall due in the foreseeable future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for revaluation of certain properties and investments in securities.

The financial statements have been prepared in accordance with 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 March 31 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.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

### **Subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any impairment loss. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **Revenue recognition**

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

Rental income under operating leases is recognised on a straight line basis over the terms of the relevant leases.

Sale proceeds on trading of securities are recognised on a trade date basis when a sale and purchase contract is entered into.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### **Investment properties**

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sale proceed and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on land and buildings is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

Leasehold land	Over the remaining terms of the leases
Buildings	Over the shorter of the remaining terms of the leases or 50 years
Furniture and fixtures	15% – 50%
Motor vehicles	25%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **Properties held for development**

Properties held for development are stated at the cost of acquisition to the Group together with any attributable expenses less provision for anticipated losses, where appropriate.

### **Inventories**

Inventories represent goods held for resale are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, and where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

### **Investments in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

### **Operating leases**

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **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. Gains and losses arising on exchange are dealt with in the income statement.

### **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.

### **Cash equivalents**

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the date of the advance.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 4. TURNOVER AND SEGMENTAL INFORMATION

The Group's turnover and contribution to operating loss for the year ended March 31, 2001, analysed by principal activity, are as follows:

	Turnover		Operating profit (loss)	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity:				
Retailing of fashion apparel and accessories	3,586	8,907	1,818	564
Property investment	357	290	92	(1,009)
Financial and securities investment	226	1,769	33	1,429
	<u>4,169</u>	<u>10,966</u>	1,943	984
Other revenue			878	932
Corporate expenses			<u>(7,986)</u>	<u>(2,403)</u>
Loss from operations			<u>(5,165)</u>	<u>(487)</u>

All of the activities of the Group are based in Hong Kong and all of the Group's turnover and operating loss are derived from Hong Kong.

## 5. OTHER REVENUE

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	128	171
Others	750	761
	<u>878</u>	<u>932</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 6. LOSS FROM OPERATIONS

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Loss from operations has been arrived at after charging (crediting):		
Auditors' remuneration		
– current year	360	340
– underprovision in respect of prior year	61	52
Depreciation	517	669
Dividend income from investments in securities	(5)	(41)
Loss on disposal of property, plant and equipment	35	69
Operating lease rentals		
– rented premises	870	2,290
– furniture and fixtures	12	12
	<u>882</u>	<u>2,302</u>
Directors' emoluments	180	180
Other staff costs	1,829	2,474
	<u>2,009</u>	<u>2,654</u>
Total staff costs		
	<u>2,009</u>	<u>2,654</u>
Gross rents from investment properties	(357)	(290)
Less: outgoings	265	81
	<u>(92)</u>	<u>(209)</u>

## 7. FINANCE COSTS

Finance costs represented interest on bank loans, bank overdrafts and other borrowings wholly repayable within five years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 8. DIRECTORS' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' fees		
– executive	–	–
– non-executive	90	90
Independent non-executive	90	90
	<u>180</u>	<u>180</u>
Other emoluments (executive directors):		
– salaries and other benefits	–	–
	<u>180</u>	<u>180</u>

The aggregate emoluments of each of the six (2000: six) directors during the relevant periods were within the emoluments band ranging from HK\$Nil to HK\$1,000,000.

## 9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (2000: None) was a director of the Company. The emoluments of the five (2000: five) individuals were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	<u>885</u>	<u>1,041</u>

Emoluments of each of the five (2000: five) individuals were within the band ranging from HK\$Nil to HK\$1,000,000.

## 10. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as there is no assessable profit for the Company and its subsidiaries.

Details of unprovided deferred taxation are set out in note 25.

## 11. NET LOSS FOR THE YEAR

Of the Group's net loss for the year of HK\$5,172,000 (2000: HK\$647,000), a loss of HK\$48,072,000 (2000: HK\$25,499,000) has been dealt with in the financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss for the year of HK\$5,172,000 (2000: HK\$647,000) and on 208,292,307 (2000: 201,356,620) weighted average number of ordinary shares outstanding during the year. No diluted loss per share is presented as the exercise of the potential dilutive ordinary shares would result in reduction in loss per share in both year 2000 and 2001.

## 13. INVESTMENT PROPERTIES

	<b>THE GROUP</b> <i>HK\$'000</i>
Valuation	
At April 1, 2000	2,370
On acquisition of subsidiary	13,300
Deficit on revaluation	(40)
	<hr/>
At March 31, 2001	<u>15,630</u>

Investment properties were revalued at their open market value at March 31, 2001 by Sallmanns (Far East) Limited, a firm of independent professionally qualified valuers, on an open market existing use basis. This valuation gave rise to a deficit on revaluation of HK\$40,000 which has been charged to the investment property revaluation reserve.

Investment properties of the Group with a net book value of HK\$14,650,000 (2000: HK\$1,350,000) are rented out under operating leases.

The market value of investment properties shown above comprises:

	<b>2001</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>
Long lease in Hong Kong	13,300	–
Medium term lease in Hong Kong	2,330	2,370
	<hr/>	<hr/>
	<u>15,630</u>	<u>2,370</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold land and buildings</b>	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
THE GROUP				
COST OR VALUATION				
At April 1, 2000	14,000	4,167	152	18,319
On acquisition of subsidiaries	–	28	–	28
Additions	–	36	–	36
Disposals	–	(185)	–	(185)
Deficit on valuation	(420)	–	–	(420)
	13,580	4,046	152	17,778
At March 31, 2001	13,580	4,046	152	17,778
Comprising:				
At cost	–	4,046	152	4,198
At valuation	13,580	–	–	13,580
	13,580	4,046	152	17,778
DEPRECIATION				
At April 1, 2000	–	3,582	152	3,734
On acquisition of subsidiaries	–	25	–	25
Provided for the year	280	237	–	517
Eliminated on disposals	–	(135)	–	(135)
Adjustment on revaluation	(280)	–	–	(280)
	–	3,709	152	3,861
At March 31, 2001	–	3,709	152	3,861
NET BOOK VALUES				
At March 31, 2001	13,580	337	–	13,917
At March 31, 2000	14,000	585	–	14,585

The leasehold land and buildings are situated Hong Kong and are held under medium term leases.

The leasehold land and buildings of the Group were revalued at March 31, 2001 on an open market value basis by Sallmanns (Far East) Limited, a firm of independent professionally qualified valuers. The deficit arising on revaluation of leasehold land and buildings amounting to HK\$140,000 has been charged to the asset revaluation reserve.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT – *continued*

If leasehold land and buildings had not been revalued, they would have been included in these financial statements on a historical cost basis at the following amounts:

	<i>HK\$'000</i>
Cost	12,500
Accumulated depreciation	<u>(2,155)</u>
Net book values	
At March 31, 2001	<u><u>10,345</u></u>
At March 31, 2000	<u><u>10,625</u></u>

## 15. PROPERTIES HELD FOR DEVELOPMENT

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Medium term lease in Hong Kong – at cost	<u>43,100</u>	<u>–</u>

## 16. INTERESTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	51,504	51,474
Impairment loss recognised	<u>(51,504)</u>	<u>(51,474)</u>
	<u>–</u>	<u>–</u>
Amounts due from subsidiaries	185,384	81,321
Provision for amounts due from subsidiaries	<u>(128,278)</u>	<u>(81,321)</u>
	<u><u>57,106</u></u>	<u><u>–</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 16. INTERESTS IN SUBSIDIARIES – continued

Particulars of the principal subsidiaries at March 31, 2001 are as follows:

Name of subsidiary	Place of incorporation/ operations	Paid up issued share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
eglobaljob.com Limited	Hong Kong	Ordinary HK\$2	100	–	Investment holding
Faith Profit Limited	Hong Kong	Ordinary HK\$10,000	100	–	Property holding
Fronteer Securities (HK) Limited	Hong Kong	Ordinary HK\$2	–	100	Financial and securities investment
instantstyle.com Limited	Hong Kong	Ordinary HK\$2	–	100	Sales of fashion via internet
Iwai Denmark Limited	Hong Kong	Ordinary HK\$10,000	–	100	Retailing of fashion apparel and accessories
Iwai's Holdings (Hong Kong) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred shares HK\$1,000,000 (Note)	–	100	Investment holding, property investment and provision of management services to group companies
Iwai's Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary HK\$10,000	100	–	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 16. INTERESTS IN SUBSIDIARIES – continued

Name of subsidiary	Place of incorporation/ operations	Paid up issued share capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			Directly %	Indirectly %	
Iwai Paris Limited	Hong Kong	Ordinary HK\$500,000	–	100	Retailing of fashion apparel and accessories
Luckford Enterprise Limited	Hong Kong	Ordinary HK\$10,000	100	–	Property development
Mall 368.com Limited	Hong Kong	Ordinary HK\$2	–	100	Retailing of fashion apparel and accessories
Masaru Iwai Enterprises (Hong Kong) Limited	Hong Kong	Ordinary HK\$1,000,000	–	100	Trading of fashion apparel and accessories
PhoneBox International Limited (formerly known as Cyber House Hong Kong Limited)	Hong Kong	Ordinary HK\$2	–	100	Investment holding
Wellgem Asia Limited	Hong Kong	Ordinary HK\$10,000	100	–	Property development
York Winner Investment Limited	Hong Kong	Ordinary HK\$2	–	100	Financial and securities investment

None of the subsidiaries had any loan capital outstanding at the end of the year.

The above table lists the principal subsidiaries of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

*Note:* The deferred shares, which are not held by the Group, carry practically no rights to dividends or to receive notice of or to attend or vote at any general meeting of the company or to participate in any distribution on winding up.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

### 17. INVENTORIES

#### THE GROUP

Included in inventories is an amount of HK\$Nil (2000: HK\$410,000) which were carried at net realisable value.

### 18. TRADE AND OTHER RECEIVABLES

The Group does not allow any credit terms to its trade customers.

The following is an aged analysis of trade and other receivables at the reporting date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	11	74
61 – 90 days	–	2
> 90 days	181	52
Deposits, prepayment and other receivables	298	488
	<u>490</u>	<u>616</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 19. INVESTMENTS IN SECURITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Other investment securities listed in Hong Kong	<u>359</u>	<u>655</u>
Market value of listed securities	<u>359</u>	<u>655</u>

## 20. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade and other payables at the reporting date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 – 60 days	718	996
61 – 90 days	5	–
> 90 days	<u>1,530</u>	<u>1,167</u>
	<u>2,253</u>	<u>2,163</u>

## 21. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment. The subsidiaries have confirmed that repayment of the amounts will not be demanded within one year from the balance sheet date and accordingly, the amounts are classified as non-current.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

### 22. SHARE CAPITAL

	Ordinary shares		Preference shares		Total
	No. of shares '000 HK\$0.01 each	HK\$'000	No. of shares '000 HK\$1 each	HK\$'000	HK\$'000
Authorised	<u>9,000,000</u>	<u>90,000</u>	<u>68,500</u>	<u>68,500</u>	<u>158,500</u>
Issued and fully paid:					
At April 1, 1999	200,600	2,006	68,500	68,500	70,506
Conversion of preference shares to ordinary shares	<u>7,692</u>	<u>77</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(923)</u>
At March 31, 2000	208,292	2,083	67,500	67,500	69,583
Issuance of new preference shares	<u>-</u>	<u>-</u>	<u>56,402</u>	<u>56,402</u>	<u>56,402</u>
At March 31, 2001	<u>208,292</u>	<u>2,083</u>	<u>123,902</u>	<u>123,902</u>	<u>125,985</u>

The following changes in the Company's share capital have taken place during the past two years:

- (a) During 2000, OCIL has exercised the option to convert 1,000,000 non-voting cumulative redeemable convertible preference shares ("CP shares") into 7,692,307 ordinary shares of HK\$0.01 each at HK\$0.13 per share.
- (b) In connection with the acquisition of subsidiaries during the year, 56,402,477 CP shares at HK\$1 each were issued and allotted as consideration. The new CP shares can be converted into new shares at an initial conversion price of HK\$0.20 each, subject to adjustments.

The CP Shares shall carry equal rights and rank *pari passu* with one another as follows:

- (a) Holders of the CP Shares are entitled in priority to any dividend payable in respect of the ordinary shares of the Company at cumulative annual preferential dividend rates of 3 per cent. per annum on the principal amount of the CP shares which are specified in the subscription agreement dated February 12, 1999 and two supplement agreements dated February 15, 1999 and March 9, 1999 respectively. Subject to the Companies Act of Bermuda, the dividend is cumulative and payable semi-annually in arrears on March 31 and September 30 in each year during the conversion period which falls after the second anniversary from the date of issue of the CP Shares and the first payment is due on September 30, 2001. No interest is payable for the first and second year in which the CP shares are outstanding. The conversion price of the CP Shares is HK\$0.13 and the maturity date of the CP shares is March 30, 2004.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

### 22. SHARE CAPITAL – *continued*

- (b) The CP Shares are convertible in multiples of 1,000,000 into the shares of the Company.
- (c) The CP Shares are also redeemable at the principal amounts on the maturity date or the earliest date permitted under the Companies Act of Bermuda, whichever is the later. The maturity date is the fifth anniversary of the issue date of the CP shares.
- (d) The CP Shares do not have any voting rights.

### 23. SHARE OPTIONS

Under the terms of the Share Option Scheme (the "Scheme") which became effective on October 2, 1995, the board of directors of the Company may offer to any directors or full time employees of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares and 80 per cent. of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of the grant of the options, subject to a maximum of 10 per cent. of the issued share capital of the Company from time to time.

A summary of the options granted is as follows:

Name	Capacity	Exercise price HK\$	Number of option shares at
			April 1, 1999, April 1, 2000 and March 31, 2001
Chan Heng Fai	Director	0.11	3,136,000
Chan Yoke Keow	Director	0.11	3,136,000
Chan Sook Jin, Mary-ann	Director	0.11	1,500,000
Lau Man Tak	Director	0.11	1,500,000
			<u>9,272,000</u>

No share option has been granted or exercised during the two years ended March 31, 2001.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 24. RESERVES

	Investment property revaluation reserve HK\$'000	Asset revaluation reserve HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At April 1, 1999	1,033	7,049	21,820	1,602	-	(78,565)	(47,061)
Deficit on revaluation	(316)	(3,087)	-	-	-	-	(3,403)
Issue of ordinary shares	-	-	923	-	-	-	923
Share conversion expenses	-	-	(25)	-	-	-	(25)
Net loss for the year	-	-	-	-	-	(647)	(647)
At March 31, 2000	717	3,962	22,718	1,602	-	(79,212)	(50,213)
Deficit on revaluation	(40)	(140)	-	-	-	-	(180)
Net loss for the year	-	-	-	-	-	(5,172)	(5,172)
At March 31, 2001	<u>677</u>	<u>3,822</u>	<u>22,718</u>	<u>1,602</u>	<u>-</u>	<u>(84,384)</u>	<u>(55,565)</u>
<b>THE COMPANY</b>							
At April 1, 1999	-	-	21,820	-	48,474	(117,522)	(47,228)
Issue of ordinary shares	-	-	923	-	-	-	923
Share conversion expenses	-	-	(25)	-	-	-	(25)
Net loss for the year	-	-	-	-	-	(25,499)	(25,499)
At March 31, 2000	-	-	22,718	-	48,474	(143,021)	(71,829)
Acquisition of subsidiaries	-	-	-	-	46,238	-	46,238
Net loss for the year	-	-	-	-	-	(48,072)	(48,072)
At March 31, 2001	<u>-</u>	<u>-</u>	<u>22,718</u>	<u>-</u>	<u>94,712</u>	<u>(191,093)</u>	<u>(73,663)</u>

*Notes:*

The special reserve of the Group 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 1995.

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries acquired by the Company as at the date of acquisition and the nominal amount of the Company's share capital issued as consideration for the acquisition.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 24. RESERVES – continued

Notes: – continued

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.

As at March 31, 2001, the Company had no reserve available for distribution.

## 25. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the Group had a net deferred tax asset of HK\$8,153,000 (2000: HK\$4,863,000) not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain. Details of the unprovided deferred tax asset are as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Tax effect of timing differences because of:		
Shortfall (excess) of tax allowances over depreciation	49	(2,543)
Tax losses	8,104	7,406
	<hr/>	<hr/>
Net deferred tax asset	<u>8,153</u>	<u>4,863</u>

The amount of unprovided deferred tax credit for the year is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Shortfall of tax allowances over depreciation	2,592	2,618
Tax losses arising	698	566
	<hr/>	<hr/>
	<u>3,290</u>	<u>3,184</u>

The Company had no material unprovided deferred taxation for the year or at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

### 25. UNPROVIDED DEFERRED TAXATION – *continued*

Deferred taxation has not been provided on the valuation surplus arising on the revaluation of land and buildings and investment properties as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

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

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(5,172)	(490)
Depreciation	517	669
Loss on disposal of property, plant and equipment	35	69
Interest expense	7	3
Interest income	(128)	(171)
Dividend income from listed investments	(5)	(41)
Decrease in inventories	500	545
Decrease (increase) in trade and other receivables	159	(79)
Decrease in investments in securities	296	154
Increase (decrease) in trade and other payables	23	(2,907)
(Decrease) increase in bills payable	(217)	72
Increase in amount due to ultimate holding company	1,581	–
Increase in amounts due to fellow subsidiaries	113	276
	<u>          </u>	<u>          </u>
Net cash outflow from operating activities	<u>(2,291)</u>	<u>(1,900)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 27. ACQUISITION OF SUBSIDIARIES

	<i>HK\$'000</i>
NET ASSETS ACQUIRED	
Investment properties	13,300
Properties held for development	43,100
Property, plant and equipment	3
Other receivables	33
Bank balances and cash	222
Other payables	(67)
Taxation	(189)
	<u>56,402</u>
SATISFIED BY	
Preference shares allotted	<u>56,402</u>
NET CASH INFLOW ARISING ON ACQUISITION	
Bank balances and cash acquired	<u>222</u>

The subsidiaries acquired during the year did not have any material effect on the cashflow of the Group.

The subsidiaries acquired during the year did not have any material effect on the turnover and the operating loss of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

### 28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<b>Trust receipt loans</b>	<b>Share capital and premium</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
At April 1, 1999	273	92,326
Share conversion expenses	–	(25)
Repayment of trust receipt loans	(72)	–
	201	92,301
At March 31, 2000	201	92,301
Repayment of trust receipt loans	(201)	–
Preference shares issued for acquisition of subsidiaries	–	56,402
	–	148,703
At March 31, 2001	–	148,703

### 29. MAJOR NON-CASH TRANSACTIONS

- (a) During 2000, 1,000,000 preference shares of HK\$1 each were converted into ordinary shares of HK\$0.01 each at conversion price of HK\$0.13 per share. Accordingly, 7,692,307 ordinary shares were issued and a resulting premium of HK\$923,000 was credited to share premium account.
- (b) During the year, consideration for the purchase of subsidiaries were settled by way of issue and allotment of 56,402,477 preference shares of the Company.

### 30. LEASE COMMITMENTS

At the balance sheet date, the Group had commitments payable within the next year under non-cancellable operating leases in respect of rented premises as follows:

	<b>THE GROUP</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating leases which expire:		
Within one year	–	142
In the second to fifth year inclusive	–	1,006
	–	1,148
	–	1,148

At the balance sheet date, the Company did not have any commitments under non-cancellable operating leases.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2001

## 31. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged a bank deposit of HK\$1,051,000 (2000: HK\$2,020,000) to secure banking facilities granted to the Group.

## 32. CONTINGENT LIABILITIES

Certain former staff issued writs against the Company claiming for wrongful dismissal of approximately HK\$1,542,000 plus interest and related costs. The directors are advised by the legal counsel of the Company that it is unlikely that the former staff will succeed in their claims. Accordingly, no provision has been made in these financial statements.

## 33. MANDATORY PROVIDENT FUND SCHEME

With effect from 1st December, 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The MPF Scheme contributions arising from the MPF Scheme charged to the income statement represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

## 34. RELATED PARTY TRANSACTIONS

- (i) For the year ended March 31, 2000, OCIL has given an undertaking to make available to the Company by way of loan facilities the necessary ongoing funding for the Company's general working capital purposes for a maximum amount of HK\$50,000,000.
- (ii) During the year, the Company acquired subsidiaries at a consideration of HK\$56,402,477 from OCIL. The consideration was determined with reference to the audited net asset values of the subsidiaries acquired on November 24, 2000.

## FINANCIAL SUMMARY

	<b>For the year ended March 31,</b>				
	<b>1997</b> <i>HK\$'000</i>	<b>1998</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
<b>RESULTS</b>					
TURNOVER	<u>120,967</u>	<u>73,251</u>	<u>15,517</u>	<u>10,966</u>	<u>4,169</u>
LOSS BEFORE TAXATION	(28,466)	(84,137)	(29,886)	(490)	(5,172)
TAXATION	(148)	-	-	(157)	-
NET LOSS FOR THE YEAR	<u>(28,614)</u>	<u>(84,137)</u>	<u>(29,886)</u>	<u>(647)</u>	<u>(5,172)</u>
	<b>At March 31,</b>				
	<b>1997</b> <i>HK\$'000</i>	<b>1998</b> <i>HK\$'000</i>	<b>1999</b> <i>HK\$'000</i>	<b>2000</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
<b>ASSETS AND LIABILITIES</b>					
TOTAL ASSETS	97,409	56,571	28,933	22,384	74,989
TOTAL LIABILITIES	<u>(36,517)</u>	<u>(79,833)</u>	<u>(5,488)</u>	<u>(3,014)</u>	<u>(4,569)</u>
BALANCE (DEFICIENCY) OF SHAREHOLDERS' FUNDS	<u>60,892</u>	<u>(23,262)</u>	<u>23,445</u>	<u>19,370</u>	<u>70,420</u>

## PARTICULARS OF MAJOR PROPERTIES

Name/location	Type	Group's interest (%)	Lease term
<i>Leasehold land and buildings</i>			
No. 326 Kwun Tong Road Kwun Tong Kowloon Hong Kong	Industrial	100	Medium term lease
<i>Investment properties</i>			
Unit A on 7th Floor Good Luck Industrial Building No. 105 How Ming Street Kwun Tong Kowloon Hong Kong	Industrial	100	Medium term lease
Unit A on 11th Floor Good Luck Industrial Building No. 105 How Ming Street Kwun Tong Kowloon Hong Kong	Industrial	100	Medium term lease
Car Parking Space No. P9 on Ground Floor No. 105 How Ming Street Kwun Tong Kowloon Hong Kong	Car park	100	Medium term lease
20/F., and car parking spaces Nos. 10 and 11 on 3/F., SUP Tower, No. 4 Mercury Street and No. 75 – 83 King's Road, North Point, Hong Kong	Office premises	100	Long lease
<i>Properties held for development</i>			
No. 28 – 30 Kai Tak Road Kowloon City, Kowloon, Hong Kong	Vacant land	100	Medium term lease
No. 16 – 20 Baker Street Hung Hom, Kowloon, Hong Kong	Vacant land	100	Medium term lease