

384 HK

ENGLISH + CHINESE

3/31/2000



eBiz.hk.com Limited

eBiz.hk.com Limited

聯網商業香港有限公司

(Formerly known as Frontier International Holdings Limited)

(前稱恒進國際集團有限公司)

(Incorporated in Bermuda with limited liability)

(英屬百慕達註冊之有限責任公司)

# CONTENTS

|   |    |
|---|----|
| CORPORATE INFORMATION                                 | 1  |
| CHAIRMAN'S STATEMENT                                  | 2  |
| DIRECTORS AND SENIOR MANAGEMENT PROFILE               | 5  |
| NOTICE OF ANNUAL GENERAL MEETING                      | 7  |
| DIRECTORS' REPORT                                     | 10 |
| AUDITORS' REPORT                                      | 17 |
| CONSOLIDATED INCOME STATEMENT                         | 18 |
| CONSOLIDATED BALANCE SHEET                            | 19 |
| BALANCE SHEET   | 20 |
| CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES | 21 |
| CONSOLIDATED CASH FLOW STATEMENT                      | 22 |
| NOTES TO THE FINANCIAL STATEMENTS                     | 23 |
| FINANCIAL SUMMARY                                     | 46 |
| PARTICULARS OF MAJOR PROPERTIES                       | 47 |

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Chan Heng Fai (*Chairman and Managing Director*)  
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

### COMPANY SECRETARY

Chan Suk King, Zoe

### REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

### PRINCIPAL PLACE OF BUSINESS

326 Kwun Tong Road  
Kwun Tong  
Kowloon  
Hong Kong

### PRINCIPAL BANKER

Hang Seng Bank Limited

### LEGAL ADVISORS

#### Hong Kong Bermuda

Herbert Smith  
Conyers, Dill & Pearman

### AUDITORS

Deloitte Touche Tohmatsu

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services Limited  
Rosebank Centre  
14 Bermudiana Road  
Pembroke  
Bermuda

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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 the Group for the year ended March 31, 2000.

### REVIEW OF OPERATIONS AND OUTLOOK

Throughout the year, the Group has rationalised its operation significantly to reduce operating losses and improve operating efficiencies. For the financial year under review, the Group recorded a consolidated turnover amounted to HK\$10,966,000 and the loss attributable to shareholders of HK\$647,000 which represents an approximate 98% improvement over that of HK\$29,886,000 for the same period last year.

The Group has maintained long and stable relationship with our suppliers. In addition, during the year effort has been spent to develop the in-house reasonably priced brand, VOUS which targets the confident fashionable young executives, to counteract the current deflationary pressure. The Directors hope to find the right location to launch our first new shop carrying a full range of the VOUS label as it has been well received in test locations to date. However, a new store will only be opened after due assessment of its sales potential and expected contribution to the Group.

In view of the rapid growth of the Internet, the Group is determined to make use of this technology to break through the traditional boundaries of retail operations and open up new sales channels. In the third quarter of 1999, the Group launched **instantstyle.com**, its first virtual store which enables customers who cannot go to our actual shops a chance to browse through our merchandise, and preview the collections that are available and shop. A wide range of trendy fashion apparel and accessories are offered at very attractive prices in the virtual store. The initial response to the virtual store is very encouraging and is receiving many new visitors and we hope that in the coming years the cyber retail operation will help to increase the revenues of the Group.

The management team of the Company are further reinforced in the areas of finance, corporate developments, operations and logistics. To capture the new investment opportunities arisen from the economic revivals in the Asia Pacific region, the Group has repositioned itself to develop longer-term strategies and business development plans and to sustain long-term growth.

### CORPORATE DEVELOPMENT

Pursuant to an Agreement dated January 7, 2000 entered into between Online Credit International Limited ("Online Credit", the ultimate holding company of the Group) and Global Vmall.com (USA) Inc. ("Global Vmall"), Online Credit granted to Global Vmall the options to purchase an aggregate of 47,000,000 ordinary shares of the Company and 46,000,000 convertible preference shares for an aggregate option fee of Singapore Dollar 2,000,000 (or approximately HK\$9,400,000). Details of the grant of the 1st option and the 2nd option were set out in a circular issued by Online Credit dated February 3, 2000.

The 1st option lapsed on May 10, 2000 and the 2nd option lapsed at midnight on July 4, 2000. Global Vmall has exercised the 1st option to the extent of 5,000,000 ordinary shares of the

## CHAIRMAN'S STATEMENT

Company which represent approximately 2.4% of the existing issued ordinary share capital of the Company. Upon the lapse of the options, Global Vmall is no longer have the right to exercise the options to purchase any convertible preference shares and ordinary shares of the Company.

Online Credit is interested in approximately 56% of the existing issued ordinary shares and the entire convertible preference shares of the Company. Based on the existing holding of Online Credit, full conversion of the convertible preference shares will result in Online Credit holding approximately 87.4% of the ordinary shares of the Company. Online Credit has undertaken not to exercise the conversion rights of the convertible preference shares in the Company so as to result in the level of the Company's shares held in public hands falling below the minimum requirements as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **YEAR 2000 COMPLIANCE**

In our 1999 Annual Report and 1998/1999 and 1999/2000 Interim Reports, the Group outlined its recognition of and approach to addressing the Year 2000 problem.

*The most critical moment of the Year 2000 problem had passed and the Directors are pleased to report that the Company did not encounter any deficiency of the computer systems caused by the Year 2000 problem. However, the Directors will pay close attention to maintain the reliability of the computer systems during the Year 2000.*

The Group has no further commitments in respect of the Year 2000 compliance project.

### **CLOSURE OF REGISTER OF MEMBERS**

*The register of members of the Company will be closed from Wednesday September 20, 2000 to Monday September 25, 2000 (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 Registrars, 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 Tuesday September 19, 2000.*

## CHAIRMAN'S STATEMENT

### CHANGE OF NAME

On October 8, 1999, the name of the Company has been changed from "Fronteer International Holdings Limited" to "eBiz.hk.com Limited" and a Chinese name "聯網商業香港有限公司" has been adopted to reflect the adoption of the element of "e-commerce".

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my appreciation to all members of the management and staff for their hard work, loyalty and dedication. I would also like to offer my sincere gratitude to all our customers, shareholders as well as business associates for their continued support and advice. The Group expects their continuous support and contribution will make aspiring achievement in the coming year.

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

Hong Kong, August 24, 2000

## DIRECTORS AND SENIOR MANAGEMENT PROFILE

### DIRECTORS

#### Executive Directors

Mr. Chan Heng Fai, aged 56 is the Chairman 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") 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 52. Ms. Chan was appointed as a director of Online Credit in 1992 and is responsible for general administration and strategic planning for the Online Credit. Ms. Chan has over 20 years' experience in financial management and administration and is responsible for the financial management of the Group. Ms. Chan joined the Group in September 1997 and is the spouse of Mr. Chan Heng Fai.

Ms. Chan Sook Jin, Mary-ann, aged 29. Ms. Chan is the daughter of Mr. Chan Heng Fai and Ms. Chan Yoke Keow and was a relationship manager with one of the leading banks in Hong Kong prior joining the Group in September 1997. Ms. Chan is responsible for the retail operations and the development of Internet marketing of the Group.

Mr. Lau Man Tak, aged 31. He graduated from the Hong Kong Polytechnic University with a Bachelor's Degree in Accountancy and worked with 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 Association of Chartered Certified Accountants and Hong Kong Society of Accountants. 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 51, 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.

Mr. Chan Tong Wan (Tony), aged 25, 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 public 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.

## **DIRECTORS AND SENIOR MANAGEMENT PROFILE**

### **DIRECTORS** – *continued*

#### **Independent Non-executive Directors**

Mr. Lee Ka Leung, Daniel, aged 42. Mr. Lee is a certified public accountant and is admitted to practise in Hong Kong. He is a fellow of the Chartered Association of Certified Accountants, 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. Wong Dor Luk, Peter, aged 57. Mr. Wong 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. Da Roza Joao Paulo, aged 49, 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**

Wong Pui Man, aged 33, is the retail manager. She joined the Group in October 1996 and is responsible for the retail management of the Group's InWear and Matinique brand. 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.



## 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 Coral Room 1, 3/Floor, Furama Hotel Hong Kong, 1 Connaught Road Central, Hong Kong, on Monday, September 25, 2000 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, 2000;
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 resolutions as Ordinary Resolutions:–

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, 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).

5. **THAT:-**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase shares ("Shares") of HK\$0.01 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("the Stock Exchange") or on any other stock exchange on which the Shares may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose ("recognised stock exchange"), subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or of any other recognised stock exchange, be and is hereby generally and unconditionally approved in substitution for, and to the exclusion of any existing authority previously granted and authorised;
- (b) the aggregate nominal amount of Shares to be purchased pursuant to the approval in paragraph (a) above shall not exceed 10 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 approval pursuant to paragraph (a) shall be limited accordingly; and

## NOTICE OF ANNUAL GENERAL MEETING

- (c) 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.
6. **THAT** conditional upon ordinary resolutions numbered 4 and 5 being passed, the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot Shares be and is hereby extended by the addition to the nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the resolution numbered 4 as set out in the notice convening this meeting of an amount representing the aggregate nominal amount of shares in the capital of the Company purchased by the Company pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares granted to them pursuant to resolution numbered 5 as set out in the notice convening this meeting.

By Order of the Board  
**Chan Suk King, Zoe**  
Company Secretary

Hong Kong, 24th August, 2000

*Principal place of business in Hong Kong:*  
326 Kwun Tong Road  
Kwun Tong  
Hong Kong

Notes:

1. A member of the Company 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.
3. In connection with Resolution No. 5 above, the attention of shareholders is drawn to the Explanatory Statement to be sent to shareholders of the Company containing a summary of the more important provisions of the Rules Governing the Listing of Securities on the Stock Exchange relating to the repurchase of shares on the Stock Exchange.

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended March 31, 2000.

### CHANGE OF NAME

Pursuant to a special resolution passed on September 27, 1999, the name of the Company was changed from Fronteer International Holdings Limited 恒進國際集團有限公司 to eBiz.hk.com Limited 聯網商業香港有限公司.

### 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.

### SEGMENT INFORMATION

The Group's turnover and contribution to operating loss for the year ended March 31, 2000, analysed by principal activity, are as follows:

|  | <b>Turnover</b><br><i>HK\$'000</i> | <b>Contribution<br/>to loss<br/>before<br/>taxation</b><br><i>HK\$'000</i> |
|--|------------------------------------|--|
| By principal activity:                       |                                    |  |
| Retailing of fashion apparel and accessories | 8,907                              | 564  |
| Property investment                          | 290                                | (1,009)  |
| Financial and securities investment          | 1,769                              | 1,143  |
|  | <u>10,966</u>                      | <u>698</u>   |
| Other revenue                                |                                    | 1,218  |
| Corporate expenses                           |                                    | (2,403)  |
| Interest expenses                            |                                    | (3)  |
| Loss before taxation                         |                                    | <u>(490)</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.

# DIRECTORS' REPORT

## **SUBSIDIARIES**

Details of the Company's subsidiaries at March 31, 2000 are set out in note 16 to the financial statements.

## **RESULTS**

The results of the Group for the year ended March 31, 2000 are set out in the consolidated income statement on page 18.

## **RESERVES**

Movements during the year in the reserves of the Group and the Company are set out in note 23 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 46.

## **INVESTMENT PROPERTIES**

Details of movements in investment properties of the Group are set out in note 14 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

## **MAJOR PROPERTIES**

Details of the major properties of the Group at March 31, 2000 are set out on page 47.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company are set out in note 21 to the financial statements.

## DIRECTORS' REPORT

### DIRECTORS

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

*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 (appointed on August 1, 1999)

*Independent non-executive directors:*

Lee Ka Leung, Daniel  
Wong Dor Luk, Peter  
Da Roza Joao Paulo (appointed on August 1, 1999)

In accordance with Clause 87 of the Company's Bye-laws, Chan Sook Jin, Mary-ann, Fong Kwok Jen and Wong Dor Luk, Peter 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").

### ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

The Company's ultimate holding company, Online Credit International Limited ("OCIL"), formerly known as Heng Fung Holdings Company Limited, 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").

## DIRECTORS' REPORT

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

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

| Name of director           | Date of grant    | Exercise price<br>HK\$ | Exercisable period                      | Number of share options as at<br>April 1, 1999 and<br>March 31, 2000 |
|----------------------------|------------------|------------------------|---|--|
| Chan Heng Fai              | April 22, 1996   | 0.4025                 | April 22, 1996 to<br>April 21, 2006     | 1,000,000  |
|                            | May 15, 1997     | 0.4512                 | May 15, 1997 to<br>May 14, 2007         | 6,660,000  |
|                            | October 26, 1997 | 0.3064                 | October 26, 1997 to<br>October 25, 2007 | 14,400,000   |
| Chan Yoke Keow             | April 22, 1996   | 0.4025                 | April 22, 1996 to<br>April 21, 2006     | 2,071,739  |
|                            | May 15, 1997     | 0.4512                 | May 15, 1997 to<br>May 14, 2007         | 6,660,000  |
|                            | October 26, 1997 | 0.3064                 | October 26, 1997 to<br>October 25, 2007 | 14,400,000   |
| Chan Sook Jin,<br>Mary-ann | October 26, 1997 | 0.3064                 | October 26, 1997 to<br>October 25, 2007 | 25,000,000   |

None of the above share options has been 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 22 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 of grant     | Exercise price<br><i>HK\$</i> | Exercise period                       | Number of share options as at<br>April 1, 1999 and<br>March 31, 2000 |
|-------------------------|-------------------|-------------------------------|---------------------------------------|--|
| Chan Heng Fai           | February 10, 1998 | 0.11                          | February 10, 1998 to February 9, 2009 | 3,136,000  |
| Chan Yoke Keow          | February 10, 1998 | 0.11                          | February 10, 1998 to February 9, 2009 | 3,136,000  |
| Chan Sook Jin, Mary-ann | February 10, 1998 | 0.11                          | February 10, 1998 to February 9, 2009 | 1,500,000  |
| Lau Man Tak             | February 10, 1998 | 0.11                          | February 10, 1998 to February 9, 2009 | 1,500,000  |

None of the above share options has been 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 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 or the Chief Executives or 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

No contracts of significance to which the Company or any of its subsidiaries or its ultimate holding company or 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.

### SUBSTANTIAL SHAREHOLDERS

As at March 31, 2000, 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<br>ordinary shares                              | –               |
|  | 67,500,000<br>non-voting<br>cumulative<br>preference shares | –               |



## DIRECTORS' REPORT

### **SUBSTANTIAL SHAREHOLDERS – continued**

| <b>Name</b>                                     | <b>Direct interest</b>       | <b>Deemed interest</b>                                   |
|---|------------------------------|--|
| Rasa Sayang Limited <i>(Note)</i>               | 9,004,000<br>ordinary shares | –  |
| Heng Fung Capital Company Limited <i>(Note)</i> | 3,388,000<br>ordinary shares | –  |
| OCIL  | 2,692,307<br>ordinary shares | 116,642,007<br>ordinary shares                           |
|   | –                            | 67,500,000<br>non-voting cumulative<br>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, 2000.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended March 31, 2000, the percentage of the Group's purchases attributable to the largest supplier was 79% 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 shareholder 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.

### **PRE-EMPTIVE RIGHTS**

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

### **COMPLIANCE WITH CODE OF BEST PRACTICE**

The Company has complied throughout the year ended March 31, 2000 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 independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

## DIRECTORS' REPORT

### 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*

Hong Kong, August 24, 2000

# 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

*(FORMERLY KNOWN AS FRONTEER INTERNATIONAL HOLDINGS LIMITED*

*恒進國際集團有限公司)*

*(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 18 to 45 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, 2000 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.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong, August 24, 2000

**CONSOLIDATED INCOME STATEMENT**  
FOR THE YEAR ENDED MARCH 31, 2000

|  | <i>NOTES</i> | <b>2000</b><br><i>HK\$'000</i> | <b>1999</b><br><i>HK\$'000</i> |
|--|--------------|--------------------------------|--------------------------------|
| Turnover   | 5            | 10,966                         | 15,517                         |
| Cost of sales  |              | <u>(2,990)</u>                 | <u>(12,810)</u>                |
| Gross profit   |              | 7,976                          | 2,707                          |
| Other revenue  | 6            | 1,218                          | 560                            |
| Distribution costs   |              | (5,194)                        | (14,626)                       |
| Administrative expenses  |              | (4,487)                        | (6,081)                        |
| Provision for loss upon commencement<br>of liquidation of subsidiaries |              | <u>—</u>                       | <u>(4,134)</u>                 |
| Loss from operations   | 7            | (487)                          | (21,574)                       |
| Finance costs  | 8            | <u>(3)</u>                     | <u>(8,312)</u>                 |
| Loss before taxation   |              | (490)                          | (29,886)                       |
| Taxation   | 11           | <u>(157)</u>                   | <u>—</u>                       |
| Loss for the year  | 12           | <u><u>(647)</u></u>            | <u><u>(29,886)</u></u>         |
| Loss per share   |              |                                |                                |
| Basic  | 13           | <u><u>(0.32) cent</u></u>      | <u><u>(20.96) cents</u></u>    |

# CONSOLIDATED BALANCE SHEET

AT MARCH 31, 2000

|                                   | NOTES | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|-----------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>         |       |                  |                  |
| Investment properties             | 14    | 2,370            | 2,686            |
| Property, plant and equipment     | 15    | 14,585           | 18,308           |
|                                   |       | 16,955           | 20,994           |
| <b>Current assets</b>             |       |                  |                  |
| Inventories                       | 17    | 500              | 1,045            |
| Trade and other receivables       |       | 616              | 537              |
| Investments in securities         | 18    | 655              | 809              |
| Pledged bank deposits             | 30    | 2,020            | 2,088            |
| Bank balances and cash            |       | 1,638            | 3,460            |
|                                   |       | 5,429            | 7,939            |
| <b>Current liabilities</b>        |       |                  |                  |
| Trade and other payables          |       | 2,163            | 5,070            |
| Bills payable                     |       | 217              | 145              |
| Trust receipt loans, secured      |       | 201              | 273              |
| Taxation payable                  |       | 157              | –                |
| Amount due to a fellow subsidiary | 19    | 276              | –                |
|                                   |       | 3,014            | 5,488            |
| <b>Net current assets</b>         |       | 2,415            | 2,451            |
|                                   |       | 19,370           | 23,445           |
| <b>Capital and reserves</b>       |       |                  |                  |
| Share capital                     | 21    | 69,583           | 70,506           |
| Share premium and reserves        | 23    | (50,213)         | (47,061)         |
|                                   |       | 19,370           | 23,445           |
|                                   |       | 19,370           | 23,445           |

The financial statements on pages 18 to 45 were approved by the Board of Directors on August 24, 2000 and are signed on its behalf by:

**CHAN HENG FAI**  
DIRECTOR

**LAU MAN TAK**  
DIRECTOR

## BALANCE SHEET

AT MARCH 31, 2000

|                                | NOTES | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--------------------------------|-------|------------------|------------------|
| <b>Non-current assets</b>      |       |                  |                  |
| Investment in subsidiaries     | 16    | —                | —                |
| <b>Current assets</b>          |       |                  |                  |
| Amounts due from subsidiaries  | 16    | —                | 24,562           |
| Trade and other receivables    |       | 16               | 3                |
| Bank balances and cash         |       | 1,090            | 2,993            |
|                                |       | 1,106            | 27,558           |
| <b>Current liabilities</b>     |       |                  |                  |
| Trade and other payables       |       | 935              | 2,096            |
| <b>Net current assets</b>      |       |                  |                  |
|                                |       | 171              | 25,462           |
| <b>Non-current liabilities</b> |       |                  |                  |
| Amounts due to subsidiaries    | 20    | 2,417            | 2,184            |
|                                |       | <u>(2,246)</u>   | <u>23,278</u>    |
| <b>Capital and reserves</b>    |       |                  |                  |
| Share capital                  | 21    | 69,583           | 70,506           |
| Reserves                       | 23    | <u>(71,829)</u>  | <u>(47,228)</u>  |
|                                |       | <u>(2,246)</u>   | <u>23,278</u>    |

CHAN HENG FAI  
DIRECTOR

LAU MAN TAK  
DIRECTOR

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED MARCH 31, 2000

|   | <b>2000</b>         | <b>1999</b>          |
|---|---------------------|----------------------|
|   | <i>HK\$'000</i>     | <i>HK\$'000</i>      |
| Revaluation decrease on land and buildings        | 3,087               | 205                  |
| Revaluation decrease on investment properties     | 316                 | 854                  |
|   | <hr/>               | <hr/>                |
| Net losses not recognised in the income statement | 3,403               | 1,059                |
| Loss for the year                                 | 647                 | 29,886               |
|   | <hr/>               | <hr/>                |
| Total recognised losses                           | <u><u>4,050</u></u> | <u><u>30,945</u></u> |

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2000

|  | NOTES | 2000<br>HK\$'000    | 1999<br>HK\$'000    |
|--|-------|---------------------|---------------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES   | 25    | <u>(1,900)</u>      | <u>(7,051)</u>      |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE  |       |                     |                     |
| Interest paid  |       | (3)                 | (4,054)             |
| Interest received  |       | 171                 | 415                 |
| Dividend income received   |       | <u>41</u>           | <u>39</u>           |
| NET CASH INFLOW (OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE         |       | <u>209</u>          | <u>(3,600)</u>      |
| TAXATION   |       |                     |                     |
| Hong Kong Profits Tax refunded   |       | <u>-</u>            | <u>2,431</u>        |
| INVESTING ACTIVITIES   |       |                     |                     |
| Purchase of property, plant and equipment  |       | (102)               | (184)               |
| Proceeds from disposal of property, plant and equipment                                |       | -                   | 72                  |
| Decrease (increase) in pledged bank deposits   |       | 68                  | (662)               |
| Bank balances and cash deconsolidated upon commencement of liquidation of subsidiaries | 26    | <u>-</u>            | <u>(771)</u>        |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES   |       | <u>(34)</u>         | <u>(1,545)</u>      |
| NET CASH OUTFLOW BEFORE FINANCING  |       | <u>(1,725)</u>      | <u>(9,765)</u>      |
| FINANCING  | 27    |                     |                     |
| Advance from a related company   |       | -                   | 8,117               |
| Proceeds from share issue  |       | -                   | 2,761               |
| Share conversion/issue expenses  |       | (25)                | (25)                |
| New trust receipt loan   |       | -                   | 273                 |
| Repayment of trust receipt loan  |       | <u>(72)</u>         | <u>-</u>            |
| NET CASH (OUTFLOW) INFLOW FROM FINANCING   |       | <u>(97)</u>         | <u>11,126</u>       |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS                                       |       | (1,822)             | 1,361               |
| CASH AND CASH EQUIVALENTS AT APRIL 1   |       | <u>3,460</u>        | <u>2,099</u>        |
| CASH AND CASH EQUIVALENTS AT MARCH 31  |       | <u><u>1,638</u></u> | <u><u>3,460</u></u> |
| ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS                                  |       |                     |                     |
| Bank balances and cash   |       | <u><u>1,638</u></u> | <u><u>3,460</u></u> |



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

## 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"), formerly known as Heng Fung Holdings Company Limited, 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

On March, 31, 1999, OCIL became the ultimate holding company of the Group and 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. In view of the continuing financial support provided by the ultimate holding company, the directors believe that the Company has sufficient working capital and will be able to meet its financial obligations as they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

## 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Company has adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

|                  |  |
|------------------|--|
| SSAP 1 (Revised) | Presentation of financial statements   |
| SSAP 2 (Revised) | Net profit or loss for the period, fundamental errors and changes in accounting policies |
| SSAP 24          | Accounting for investments in securities   |

SSAPs 1 and 2 are concerned with the presentation and disclosure of financial information. The presentation in the current year's financial statements has been modified in order to conform with the requirements of these standards. Comparative amounts have been restated in order to achieve a consistent presentation.

In particular:

- additional analyses of income and expenditure have been presented;
- items of income and expense that were separately identified on the face of the income statement as 'exceptional items' in the prior year have been reclassified within an appropriate income or cost classification; and

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE – *continued*

- amounts owing to and by subsidiaries which had previously been presented together with the Company's investments in such enterprises have been reclassified as current and non-current assets and liabilities according to the nature of the transactions giving rise to the balances.

In addition, the description of various components in the financial statements and the terminology used has been updated to reflect the terminology of the new standards.

None of the amendments outlined above has affected the results for the current or prior years.

SSAP 24 has introduced a new framework for the classification of investments in securities. In adopting SSAP 24, the Group has selected the benchmark treatment for securities other than held-to-maturity securities. No prior period adjustment has been made as the effect of retrospective application of this standard is not material to the financial statements of prior and current year.

### 4. 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.

#### **Investments in 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

## 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **Investments in subsidiaries – *continued***

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiary other than temporary.

### **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.

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

Profit and loss on equity swap transactions is recognised by reference to market value of the underlying equity at the balance sheet date or expiration date of contracts.

*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 Group's rights to receive payment have been established.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost or valuation less accumulated 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 assets have been put into operation, such as repairs and maintenance and overhaul costs, are 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 proceeds 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

## 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **Property, plant and equipment** – *continued*

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 assets 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%   |

### **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, 2000

## 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

### **Inventories**

Inventories represent goods held for resale and 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.

### **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.

On consolidation, the financial statements of overseas subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in the translation reserve.

### **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 asset will crystallise in the foreseeable future.

### **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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

#### 4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

##### **Investments in securities – *continued***

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 that is other than temporary.

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

##### **Leases**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over relevant lease term.

##### **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.

#### 5. TURNOVER

|  | <b>2000</b>     | <b>1999</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover comprises:                          |                 |                 |
| Retailing of fashion apparel and accessories | 8,907           | 13,253          |
| Financial and securities investment          | 1,769           | 2,056           |
| Property rental income                       | 290             | 208             |
|  | 10,966          | 15,517          |
|  | 10,966          | 15,517          |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 6. OTHER REVENUE

Other revenue comprises:

|   | <b>2000</b><br><i>HK\$'000</i> | <b>1999</b><br><i>HK\$'000</i> |
|---|--------------------------------|--------------------------------|
| Bank interest income                                | 171                            | 415                            |
| Unrealised holding gain (loss) on other investments | 286                            | (58)                           |
| Others  | 761                            | 203                            |
|   | <u>1,218</u>                   | <u>560</u>                     |

### 7. LOSS FROM OPERATIONS

|  | <b>2000</b><br><i>HK\$'000</i> | <b>1999</b><br><i>HK\$'000</i> |
|--|--------------------------------|--------------------------------|
| Loss from operations has been arrived at after charging (crediting): |                                |                                |
| Auditors' remuneration   |                                |                                |
| current year   | 340                            | 300                            |
| underprovision in prior year   | 52                             | -                              |
| Depreciation   | 669                            | 3,358                          |
| Loss on disposal of property, plant and equipment                    | 69                             | 76                             |
| Operating lease rentals:   |                                |                                |
| Rented premises  | 2,290                          | 6,218                          |
| Furniture and fixtures   | 12                             | 142                            |
|  | <u>2,302</u>                   | <u>6,360</u>                   |
| Total staff costs:   |                                |                                |
| Directors' emoluments  | 180                            | 120                            |
| Staff costs  | 2,474                          | 3,459                          |
|  | <u>2,654</u>                   | <u>3,579</u>                   |
| Gross rents from investment properties                               | (290)                          | (208)                          |
| Less: outgoings  | 81                             | 42                             |
|  | <u>(209)</u>                   | <u>(166)</u>                   |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 8. FINANCE COSTS

|  | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|--|------------------|------------------|
| Interest on:   |                  |                  |
| Bank loans and overdrafts and other borrowings<br>wholly repayable within five years | 3                | 915              |
| Loan from ultimate holding company   | —                | 7,397            |
|  | <u>3</u>         | <u>8,312</u>     |

### 9. DIRECTORS' EMOLUMENTS

|   | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|---|------------------|------------------|
| Directors' fees:                        |                  |                  |
| Executive                               | —                | —                |
| Non-executive                           | 90               | 60               |
| Independent non-executive               | 90               | 60               |
|   | <u>180</u>       | <u>120</u>       |
| Other emoluments (executive directors): |                  |                  |
| Salaries and other benefits             | —                | —                |
|   | <u>—</u>         | <u>—</u>         |
| Total emoluments                        | <u>180</u>       | <u>120</u>       |

The aggregate emoluments of each of the directors during the relevant periods were within the emoluments band ranging from nil to HK\$1,000,000.

### 10. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none of them (1999: none) was director of the Company. The emoluments of the five (1999: five) individuals were as follows:

|                             | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
|-----------------------------|------------------|------------------|
| Salaries and other benefits | <u>1,041</u>     | <u>924</u>       |

Emoluments of each of the five (1999: five) individuals were within the band ranging from nil to HK\$1,000,000.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

## 11. TAXATION

The amount represents provision for Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year.

Details of unprovided deferred taxation are set out in note 24.

## 12. LOSS FOR THE YEAR

Of the Group's loss for the year of approximately HK\$647,000 (1999: HK\$29,886,000), a loss of approximately HK\$25,499,000 (1999: HK\$31,196,000) has been dealt with in the financial statements of the Company.

## 13. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year of approximately HK\$647,000 (1999: HK\$29,886,000) and on 201,356,620 (1999: 142,553,699) weighted average number of ordinary shares outstanding during the year. No diluted loss per share is calculated as the effect of potential ordinary shares is anti-dilutive.

## 14. INVESTMENT PROPERTIES

|                        | <b>THE GROUP</b><br><i>HK\$'000</i> |
|------------------------|-------------------------------------|
| Valuation              |                                     |
| At April 1, 1999       | 2,686                               |
| Deficit on revaluation | <u>(316)</u>                        |
| At March 31, 2000      | <u><u>2,370</u></u>                 |

Investment properties were revalued at their open market value at March 31, 2000 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 approximately HK\$316,000 which has been charged to the investment property revaluation reserve.

Investment properties of the Group with a net book value of HK\$1,370,000 are rented out under operating leases.

The investment properties are held on medium term leases in Hong Kong.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 15. PROPERTY, PLANT AND EQUIPMENT

|                           | <b>Leasehold<br/>land and<br/>buildings</b> | <b>Furniture<br/>and<br/>fixtures</b> | <b>Motor<br/>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, 1999          | 17,435                                      | 4,364                                 | 152                       | 21,951          |
| Additions                 | –   | 102                                   | –                         | 102             |
| Disposals                 | –   | (299)                                 | –                         | (299)           |
| Deficit on valuation      | (3,435)                                     | –                                     | –                         | (3,435)         |
|                           | <u>14,000</u>                               | <u>4,167</u>                          | <u>152</u>                | <u>18,319</u>   |
| At March 31, 2000         | 14,000                                      | 4,167                                 | 152                       | 18,319          |
| Comprising:               |   |                                       |                           |                 |
| At cost                   | –   | 4,167                                 | 152                       | 4,319           |
| At valuation              |   |                                       |                           |                 |
| – March 31, 2000          | 14,000                                      | –                                     | –                         | 14,000          |
|                           | <u>14,000</u>                               | <u>4,167</u>                          | <u>152</u>                | <u>18,319</u>   |
| DEPRECIATION              |   |                                       |                           |                 |
| At April 1, 1999          | –   | 3,491                                 | 152                       | 3,643           |
| Provided for the year     | 348   | 321                                   | –                         | 669             |
| Eliminated on disposals   | –   | (230)                                 | –                         | (230)           |
| Adjustment on revaluation | (348)                                       | –                                     | –                         | (348)           |
|                           | <u>–</u>                                    | <u>3,582</u>                          | <u>152</u>                | <u>3,734</u>    |
| At March 31, 2000         | –   | 3,582                                 | 152                       | 3,734           |
| NET BOOK VALUES           |   |                                       |                           |                 |
| At March 31, 2000         | <u>14,000</u>                               | <u>585</u>                            | <u>–</u>                  | <u>14,585</u>   |
| At March 31, 1999         | <u>17,435</u>                               | <u>873</u>                            | <u>–</u>                  | <u>18,308</u>   |

The leasehold land and buildings are held on medium term leases in Hong Kong.

The leasehold land and buildings of the Group were revalued at March 31, 2000 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 approximately HK\$3,087,000 has been charged to the asset revaluation reserve (note 23).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 15. 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>(1,875)</u>       |
| Net book values          |                      |
| At March 31, 2000        | <u><u>10,625</u></u> |
| At March 31, 1999        | <u><u>10,875</u></u> |

### 16. INTERESTS IN SUBSIDIARIES

|   | <b>THE COMPANY</b> |                      |
|---|--------------------|----------------------|
|   | <b>2000</b>        | <b>1999</b>          |
|   | <i>HK\$'000</i>    | <i>HK\$'000</i>      |
| Unlisted shares, at cost                            | 51,474             | 51,474               |
| Less: Provision for impairment other than temporary | <u>(51,474)</u>    | <u>(51,474)</u>      |
|   | <u>–</u>           | <u>–</u>             |
| Amounts due from subsidiaries                       | 81,321             | 82,279               |
| Less: Provision for amounts due from subsidiaries   | <u>(81,321)</u>    | <u>(57,717)</u>      |
|   | <u><u>–</u></u>    | <u><u>24,562</u></u> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 16. INTERESTS IN SUBSIDIARIES – *continued*

Particulars of the subsidiaries at March 31, 2000 are as follows:

| Name of subsidiary   | Place of incorporation/<br>operations | Paid up<br>issued<br>share capital | Proportion of<br>nominal value<br>of issued<br>capital held by<br>the Company |                 | Principal activities                    |
|--|---------------------------------------|------------------------------------|---|-----------------|---|
|  |                                       |                                    | Directly<br>%   | Indirectly<br>% |   |
| eglobaljob.com Limited<br>(formerly known as<br>American Fronteer<br>Financial International<br>Limited) | Hong Kong                             | Ordinary<br>HK\$2                  | 100   | –               | Investment holding                      |
| Web Construction Limited<br>(formerly known as<br>Cyber Construction<br>HK Limited)                      | Hong Kong                             | Ordinary<br>HK\$2                  | –   | 100             | Inactive                                |
| Fronteer Securities<br>(HK) Limited  | Hong Kong                             | Ordinary<br>HK\$2                  | –   | 100             | Financial and securities<br>investment  |
| Ei-Ei-O (Far East)<br>Limited  | Hong Kong                             | Ordinary<br>HK\$3,000,000          | –   | 100             | Inactive                                |
| Iwai Denmark Limited   | Hong Kong                             | Ordinary<br>HK\$10,000             | –   | 100             | Operation of<br>fashion retail<br>shops |
| Iwai Paris Limited   | Hong Kong                             | Ordinary<br>HK\$500,000            | –   | 100             | Operation of<br>fashion retail<br>shops |
| Iwai Style Limited   | Hong Kong                             | Ordinary<br>HK\$2                  | –   | 100             | Inactive                                |
| Iwai Tokyo Limited   | Hong Kong                             | Ordinary<br>HK\$2                  | –   | 100             | Inactive                                |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 16. INTERESTS IN SUBSIDIARIES – continued

| Name of subsidiary                          | Place of incorporation/<br>operations    | Paid up<br>issued<br>share capital  | Proportion of<br>nominal value<br>of issued<br>capital held by<br>the Company |                 | Principal activities                       |
|---|--|---|---|-----------------|--|
|   |  |   | Directly<br>%   | Indirectly<br>% |  |
| Iwai's Holdings (Hong Kong) Limited         | Hong Kong                                | Ordinary<br>HK\$1,000<br>Non-voting<br>deferred shares<br>HK\$1,000,000<br>(Note) | –   | 100             | Investment and property holding            |
| Iwai's Investments Limited                  | The British Virgin Islands/<br>Hong Kong | Ordinary<br>HK\$10,000  | 100   | –               | Investment holding                         |
| Masaru Iwai Enterprises (Hong Kong) Limited | Hong Kong                                | Ordinary<br>HK\$1,000,000   | –   | 100             | Trading of fashion apparel and accessories |
| M. France H.K. Limited                      | Hong Kong                                | Ordinary<br>HK\$1,000,000   | –   | 100             | Inactive                                   |
| Rich Legend Investment Limited              | Hong Kong                                | Ordinary<br>HK\$2   | –   | 100             | Inactive                                   |
| York Winner Investment Limited              | Hong Kong                                | Ordinary<br>HK\$2   | –   | 100             | Financial and securities investment        |
| Mall 368.com Limited                        | Hong Kong                                | Ordinary<br>HK\$2   | –   | 100             | Inactive                                   |
| instantstyle.com Limited                    | Hong Kong                                | Ordinary<br>HK\$2   | –   | 100             | Operating web sites                        |
| Global Med Technologies Asia Limited        | Hong Kong                                | Ordinary<br>HK\$10,000  | –   | 100             | Inactive                                   |
| Cyber House Hong Kong Limited               | Hong Kong                                | Ordinary<br>HK\$2   | –   | 100             | Investment holding                         |

None of the subsidiaries had any loan capital outstanding during the year or at the balance sheet date.

*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, 2000

### 17. INVENTORIES

Inventories represent goods held for resale. Of which an amount of approximately HK\$410,000 (1999: HK\$730,000) are carried at net realisable value.

### 18. INVESTMENTS IN SECURITIES

|   | THE GROUP  |            |
|---|------------|------------|
|   | 2000       | 1999       |
|   | HK\$'000   | HK\$'000   |
| Other investments, securities listed in Hong Kong | <u>655</u> | <u>809</u> |
| Market value of listed securities                 | <u>655</u> | <u>824</u> |

### 19. AMOUNT DUE TO A FELLOW SUBSIDIARY

This amount is unsecured, repayable within 12 months from the balance sheet date.

### 20. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest free and have no fixed repayments. In the opinion of directors, these subsidiaries will not demand repayment 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, 2000

### 21. SHARE CAPITAL

|  | Ordinary shares         |                          |          | Preference shares     |          | Total    |
|--|-------------------------|--------------------------|----------|-----------------------|----------|----------|
|  | No. of shares           |                          | HK\$'000 | No. of shares         |          | HK\$'000 |
|  | '000<br>HK\$0.1<br>each | '000<br>HK\$0.01<br>each |          | '000<br>HK\$1<br>each | HK\$'000 |          |
| Authorised:  |                         |                          |          |                       |          |          |
| At April 1, 1998   | 900,000                 | –                        | 90,000   | –                     | –        | 90,000   |
| Capital reduction  | (900,000)               | 900,000                  | (81,000) | –                     | –        | –        |
| Increase in authorised<br>share capital                  | –                       | 8,100,000                | 81,000   | 68,500                | 68,500   | 68,500   |
| At March 31, 1999 and<br>March 31, 2000                  | –                       | 9,000,000                | 90,000   | 68,500                | 68,500   | 158,500  |
| Issued and fully paid:                                   |                         |                          |          |                       |          |          |
| At April 1, 1998   | 125,500                 | –                        | 12,550   | –                     | –        | 12,550   |
| Private placements                                       | 25,100                  | –                        | 2,510    | –                     | –        | 2,510    |
| Capital reduction  | (150,600)               | 150,600                  | (13,554) | –                     | –        | (13,554) |
| Issuance of new<br>ordinary shares                       | –                       | 50,000                   | 500      | –                     | –        | 500      |
| Issuance of new<br>preference shares                     | –                       | –                        | –        | 68,500                | 68,500   | 68,500   |
| At March 31, 1999  | –                       | 200,600                  | 2,006    | 68,500                | 68,500   | 70,506   |
| Conversion of<br>preference shares<br>to ordinary shares | –                       | 7,692                    | 77       | (1,000)               | (1,000)  | (923)    |
| At March 31, 2000  | –                       | 208,292                  | 2,083    | 67,500                | 67,500   | 69,583   |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

## 21. SHARE CAPITAL – *continued*

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

- (a) Pursuant to the placing agreement dated July 2, 1998 entered into between the Company and Ong & Company Private Limited (the "Placing Agent"), the Placing Agent procured Mr. Ng Cheow Chye, an individual private investor residing in Singapore, to subscribe for 25,100,000 ordinary new shares of HK\$0.10 each in the capital of the Company at a price of HK\$0.11 per share which represented a discount of approximately 40.5 per cent. to the closing price of HK\$0.185 per share as quoted on the Stock Exchange on July 2, 1998. The proceeds were used as general working capital of the Group.
- (b) Pursuant to a special resolution passed at a special general meeting on March 31, 1999, the issued ordinary share capital was reduced from HK\$15,060,000 by an amount of HK\$13,554,000 to an amount of HK\$1,506,000 by cancelling paid-up capital to the extent of HK\$0.09 on each of shares of HK\$0.10 each in issue so that each issued share of HK\$0.10 is treated as one fully paid-up share of HK\$0.01.
- (c) Pursuant to an ordinary resolution passed at a special general meeting on March 31, 1999, the authorised share capital of the Company was increased from HK\$90,000,000 to HK\$158,500,000 by the creation of 68,500,000 non-voting cumulative redeemable convertible preference shares of HK\$1 each ("CP Shares").
- (d) Following the creation of the CP Shares, the authorised share capital of the Company was reclassified as 9,000,000,000 ordinary shares and 68,500,000 CP Shares.
- (e) On the same date, 50,000,000 ordinary shares and 68,500,000 CP shares were allotted and issued to OCIL at HK\$0.13 per share and HK\$1 per share respectively. The shares were credited as fully paid in satisfaction of amount due to a subsidiary of OCIL of HK\$75,000,000.
- (f) During 2000, OCIL has exercised the option to convert 1,000,000 CP shares into 7,692,307 ordinary shares of HK\$0.01 each at HK\$0.13 per share.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 21. SHARE CAPITAL – *continued*

The CP Shares shall carry equal rights and rank *pari passu* with one another and each CP Share shall have the rights and restrictions set out below:

- (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.
- (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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 22. 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 director or full time employee 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. The Scheme will remain in force for a period of ten years commencing October 2, 1995.

A summary of the options granted is as follows:

| <b>Name</b>             | <b>Capacity</b> | <b>Exercise price<br/>HK\$</b> | <b>Number of option shares at<br/>April 1, 1998,<br/>April 1, 1999 and<br/>March 31, 2000</b> |
|-------------------------|-----------------|--------------------------------|---|
| 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 period.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED MARCH 31, 2000

#### 23. SHARE PREMIUM AND RESERVES

|  | Investment                      |                                    | Share         | Translation | Special      | Contributed   | Deficit          | Total           |
|--|---------------------------------|------------------------------------|---------------|-------------|--------------|---------------|------------------|-----------------|
|  | Asset<br>revaluation<br>reserve | property<br>revaluation<br>reserve |               |             |              |               |                  |                 |
|  | HK\$'000                        | HK\$'000                           | HK\$'000      | HK\$'000    | HK\$'000     | HK\$'000      | HK\$'000         | HK\$'000        |
| THE GROUP  |                                 |                                    |               |             |              |               |                  |                 |
| At April 1, 1998   | 7,254                           | 1,887                              | 15,594        | 84          | 1,602        | -             | (62,233)         | (35,812)        |
| Deficit on revaluation                                       | (205)                           | (854)                              | -             | -           | -            | -             | -                | (1,059)         |
| Issue of ordinary shares                                     | -                               | -                                  | 6,251         | -           | -            | -             | -                | 6,251           |
| Share issue expenses   | -                               | -                                  | (25)          | -           | -            | -             | -                | (25)            |
| Realised upon commencement<br>of liquidation of subsidiaries | -                               | -                                  | -             | (84)        | -            | -             | -                | (84)            |
| Credit arising from capital<br>reduction                     | -                               | -                                  | -             | -           | -            | -             | 13,554           | 13,554          |
| Loss for the year  | -                               | -                                  | -             | -           | -            | -             | (29,886)         | (29,886)        |
| At March 31, 1999  | 7,049                           | 1,033                              | 21,820        | -           | 1,602        | -             | (78,565)         | (47,061)        |
| Deficit on revaluation                                       | (3,087)                         | (316)                              | -             | -           | -            | -             | -                | (3,403)         |
| Issue of ordinary shares                                     | -                               | -                                  | 923           | -           | -            | -             | -                | 923             |
| Share conversion expenses                                    | -                               | -                                  | (25)          | -           | -            | -             | -                | (25)            |
| Loss for the year  | -                               | -                                  | -             | -           | -            | -             | (647)            | (647)           |
| At March 31, 2000  | <u>3,962</u>                    | <u>717</u>                         | <u>22,718</u> | <u>-</u>    | <u>1,602</u> | <u>-</u>      | <u>(79,212)</u>  | <u>(50,213)</u> |
| THE COMPANY  |                                 |                                    |               |             |              |               |                  |                 |
| At April 1, 1998   | -                               | -                                  | 15,594        | -           | -            | 48,474        | (99,880)         | (35,812)        |
| Issue of ordinary shares                                     | -                               | -                                  | 6,251         | -           | -            | -             | -                | 6,251           |
| Share issue expenses   | -                               | -                                  | (25)          | -           | -            | -             | -                | (25)            |
| Credit arising from capital<br>reduction                     | -                               | -                                  | -             | -           | -            | 13,554        | -                | 13,554          |
| Transfer   | -                               | -                                  | -             | -           | -            | (13,554)      | 13,554           | -               |
| Loss for the year  | -                               | -                                  | -             | -           | -            | -             | (31,196)         | (31,196)        |
| At March 31, 1999  | -                               | -                                  | 21,820        | -           | -            | 48,474        | (117,522)        | (47,228)        |
| Issue of ordinary shares                                     | -                               | -                                  | 923           | -           | -            | -             | -                | 923             |
| Share conversion expenses                                    | -                               | -                                  | (25)          | -           | -            | -             | -                | (25)            |
| Loss for the year  | -                               | -                                  | -             | -           | -            | -             | (25,499)         | (25,499)        |
| At March 31, 2000  | <u>-</u>                        | <u>-</u>                           | <u>22,718</u> | <u>-</u>    | <u>-</u>     | <u>48,474</u> | <u>(143,021)</u> | <u>(71,829)</u> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 23. SHARE PREMIUM AND RESERVES – *continued*

*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 consolidated shareholders' funds 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 1995.

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, 2000, the Company has no reserve available for distribution.

### 24. UNPROVIDED DEFERRED TAXATION

At the balance sheet date, the Group had a deferred taxation asset of approximately HK\$4,863,000 (1999: HK\$8,047,000) which has not been recognised in the financial statements as realisation of this asset in the foreseeable future is uncertain. Details of the unprovided deferred taxation asset are as follows:

|  | <b>THE GROUP</b> |                 |
|--|------------------|-----------------|
|  | <b>2000</b>      | <b>1999</b>     |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Tax effect of timing differences because of:           |                  |                 |
| (Excess) shortfall of tax allowances over depreciation | (2,543)          | 75              |
| Tax losses   | 7,406            | 7,972           |
|  | <u>4,863</u>     | <u>8,047</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

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

The amount of unprovided deferred taxation charge (credit) for the year is as follows:

|  | <b>THE GROUP</b> |                 |
|--|------------------|-----------------|
|  | <b>2000</b>      | <b>1999</b>     |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i> |
| Excess of tax allowances over depreciation | 2,618            | 2               |
| Tax losses utilised (arising)              | 566              | (685)           |
| Effect of change in tax rate               | –                | (273)           |
|  | 3,184            | (956)           |
|  | 3,184            | (956)           |

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

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.

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

|  | <b>2000</b>     | <b>1999</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss before taxation   | (490)           | (29,886)        |
| Depreciation   | 669             | 3,358           |
| Provision for loss upon commencement<br>of liquidation of subsidiaries | –               | 4,134           |
| Loss on disposal of property, plant and equipment                      | 69              | 76              |
| Interest expense   | 3               | 8,312           |
| Interest income  | (171)           | (415)           |
| Dividend income from listed investments                                | (41)            | (39)            |
| Decrease in inventories  | 545             | 3,538           |
| (Increase) decrease in trade and other receivables                     | (79)            | 7,392           |
| Decrease in investments in securities                                  | 154             | 5,650           |
| Decrease in trade and other payables                                   | (2,907)         | (8,555)         |
| Increase (decrease) in bills payable                                   | 72              | (616)           |
| Increase in amount due to a fellow subsidiary                          | 276             | –               |
|  | (1,900)         | (7,051)         |
| <b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>                      | <b>(1,900)</b>  | <b>(7,051)</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 26. DECONSOLIDATION OF SUBSIDIARIES UNDER LIQUIDATION

|  | <b>2000</b>     | <b>1999</b>     |
|--|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net assets deconsolidated:   |                 |                 |
| Property, plant and equipment  | –               | 3,287           |
| Debtors, deposits and prepayments  | –               | 2,982           |
| Bank balances and cash   | –               | 771             |
| Creditors and accrued charges  | –               | (2,822)         |
|  | <u>–</u>        | <u>4,218</u>    |
| Translation reserves realised upon commencement of liquidation of subsidiaries         | –               | (84)            |
| Provision for loss upon commencement of liquidation                                    | –               | (4,134)         |
|  | <u>–</u>        | <u>–</u>        |
| Bank balances and cash deconsolidated upon commencement of liquidation of subsidiaries | <u>–</u>        | <u>771</u>      |

The net cash flow of the subsidiaries liquidated is not material to the Group as a whole.

### 27. ANALYSIS OF CHANGES IN FINANCING

|  | <b>Trust receipt loans</b> | <b>Share capital and premium</b> |
|--|----------------------------|----------------------------------|
|  | <i>HK\$'000</i>            | <i>HK\$'000</i>                  |
| Balance at April 1, 1998                             | –                          | 28,144                           |
| New trust receipt loan raised                        | 273                        | –                                |
| Shares issues:                                       |                            |                                  |
| – in satisfaction of amount due to a related company | –                          | 75,000                           |
| – for cash   | –                          | 2,761                            |
| Share issue expenses                                 | –                          | (25)                             |
| Transfer to reserves arising from capital reduction  | –                          | (13,554)                         |
|  | <u>273</u>                 | <u>92,326</u>                    |
| Balance at April 1, 1999                             | 273                        | 92,326                           |
| Share conversion expenses                            | –                          | (25)                             |
| Repayment of trust receipt loan                      | (72)                       | –                                |
|  | <u>(72)</u>                | <u>–</u>                         |
| Balance at March 31, 2000                            | <u>201</u>                 | <u>92,301</u>                    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2000

### 28. MAJOR NON-CASH TRANSACTION

During the year, 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.

### 29. 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:

|                                       | THE GROUP        |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2000<br>HK\$'000 | 1999<br>HK\$'000 |
| Operating leases which expire:        |                  |                  |
| Within one year                       | 142              | —                |
| In the second to fifth year inclusive | 1,006            | 2,820            |
|                                       | <u>1,148</u>     | <u>2,820</u>     |

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

### 30. PLEDGE OF ASSETS

At the balance sheet date, the Group pledged a bank deposit of approximately HK\$2,020,000 (1999: HK\$2,088,000) to secure banking facilities granted to the Group.

### 31. CONTINGENT LIABILITIES

Certain former staff issued writs against the Company for claims 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.

### 32. RELATED PARTY TRANSACTION

During the year, 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.

## FINANCIAL SUMMARY

### FINANCIAL SUMMARY

|   | <b>For the year ended March 31,</b> |                 |                 |                 |                 |
|---|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|   | <b>1996</b>                         | <b>1997</b>     | <b>1998</b>     | <b>1999</b>     | <b>2000</b>     |
|   | <i>HK\$'000</i>                     | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>RESULTS</b>                              |                                     |                 |                 |                 |                 |
| TURNOVER                                    | <u>120,817</u>                      | <u>120,967</u>  | <u>73,251</u>   | <u>15,517</u>   | <u>10,966</u>   |
| PROFIT (LOSS) BEFORE TAXATION               | 19,568                              | (28,466)        | (84,137)        | (29,886)        | (490)           |
| TAXATION                                    | <u>(3,440)</u>                      | <u>(148)</u>    | <u>—</u>        | <u>—</u>        | <u>(157)</u>    |
| PROFIT (LOSS) FOR THE YEAR                  | <u>16,128</u>                       | <u>(28,614)</u> | <u>(84,137)</u> | <u>(29,886)</u> | <u>(647)</u>    |
| <b>As at March 31,</b>                      |                                     |                 |                 |                 |                 |
|   | <b>1996</b>                         | <b>1997</b>     | <b>1998</b>     | <b>1999</b>     | <b>2000</b>     |
|   | <i>HK\$'000</i>                     | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>ASSETS AND LIABILITIES</b>               |                                     |                 |                 |                 |                 |
| TOTAL ASSETS                                | 123,578                             | 97,409          | 56,571          | 28,933          | 22,384          |
| TOTAL LIABILITIES                           | <u>(34,285)</u>                     | <u>(36,517)</u> | <u>(79,833)</u> | <u>(5,488)</u>  | <u>(3,014)</u>  |
| BALANCE (DEFICIENCY) OF SHAREHOLDERS' FUNDS | <u>89,293</u>                       | <u>60,892</u>   | <u>(23,262)</u> | <u>23,445</u>   | <u>19,370</u>   |



## PARTICULARS OF MAJOR PROPERTIES

### PARTICULARS OF MAJOR PROPERTIES

#### (a) LEASEHOLD LAND AND BUILDINGS

| <b>Name/location</b>  | <b>Type</b> | <b>Lease term</b> |
|---|-------------|-------------------|
| No. 326 Kwun Tong Road<br>Kwun Tong<br>Kowloon<br>Hong Kong | Industrial  | Medium term lease |

#### (b) INVESTMENT PROPERTIES

| <b>Name/location</b>  | <b>Type</b> | <b>Lease term</b> |
|---|-------------|-------------------|
| Unit A on 7th Floor<br>Good Luck Industrial Building<br>No. 105 How Ming Street<br>Kwun Tong<br>Kowloon<br>Hong Kong  | Industrial  | Medium term lease |
| Unit A on 11th Floor<br>Good Luck Industrial Building<br>No. 105 How Ming Street<br>Kwun Tong<br>Kowloon<br>Hong Kong | Industrial  | Medium term lease |
| Car Parking Space No. P9<br>on Ground Floor<br>No. 105 How Ming Street<br>Kwun Tong<br>Kowloon<br>Hong Kong           | Car park    | Medium term lease |