

## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Operating Results

During the six months' period under review, the Group's consolidated turnover increased by 64.9% to approximately HK\$27,201,000 million when compared with the last corresponding period. The increase was primarily contributed by the credit card business of Online Credit Card Limited ("OCCL") and Online Discount Card Limited ("ODCL"). Both OCCL and ODCL were acquired by the Group in April, 2000. During the period under review, OCCL and ODCL contributed approximately HK\$13,000,000 or 47.8% of the total turnover of the Group. The increase was, however, partially offset by the poor performance of the Group's fashion retail business and lower income from the investment properties.

The loss attributable to shareholders for the six months ended September 30, 2000 is HK\$19,044,000 a slight increase of 5.5% as compared to HK\$18,048,000 for the last corresponding period, which was mainly due to the following adjustments made in this interim financial result:

- loss on investment in securities of approximately HK\$7,898,000 and
- loss on investments in an associate of approximately HK\$3,342,000.

### 2. Business Review

The Company has in April, 2000 completed the acquisition of OCCL and ODCL for cash consideration of approximately HK\$38,743,000. OCCL and ODCL have carried on businesses in Hong Kong as a standalone card issuer and service provider for MasterCard cards, Countdown discount cards and private label cards and charge card facilities. MasterCard is one of the world's most recognized and accepted credit cards with over 5,000,000 sales points worldwide, in addition to cash advance facilities at over 450,000 ATMs while Countdown discount cards enable the holders of countdown cards entitling discounts on purchases made in more than 100,000 participating merchants in North America, Europe and Asia. Unlike other discount coupon schemes, the holders of the Countdown Discount Card can enjoy the above benefits on ongoing basis, as long as they continue to be Countdown cardholders.

The fashion retail arm of the Group is carried out by eBiz.hk.com Limited ("eBiz"), which is a company listed on the Stock Exchange and is currently owned as to approximately 56 per cent by the Group. The business of eBiz has not yet benefited from the strong economic growth widely publicized locally; in contrary, the Hong Kong retail market is still dominated by continuing high unemployment, falling pricing power and consumer deflationary pressures. For the six months period ended September 30, 2000, eBiz reported a loss of HK\$1,085,000.

To react to the unprecedented crash of high-tech securities and the currently highly volatile stock market in Hong Kong, the Group has reviewed its portfolio and recorded an unrealized loss of approximately HK\$7,898,000 on investments in listed securities.

### 3. Prospects

Looking ahead, the Group will continue to maximize the value of its business in an industry environment with considerable challenges. Emphasis will be placed on the core business in financial and credit card activities. All in all, the Group will continue to follow a strategy of long-term profitability and competitiveness.

#### **4. Financial Resources**

During the period, the Group is still employing a conservative financial control policy. As at September 30, 2000 the Group has a net current asset of HK\$147,379,000. The shareholders fund is HK\$309,729,000 and total interest-bearing borrowing is HK\$10,510,000. The gearing ratio is 3.4% approximately. The Directors believe that the Group has a strong liquidity position.