

CHAIRMAN'S STATEMENT

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial highlights

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

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

Review of operations

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

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

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

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

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

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Corporate Development

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

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

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

Outlook

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

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

Employee Information

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

Financial Resources and Capital Structure

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

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

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CLOSURE OF REGISTER OF MEMBERS

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

APPRECIATION

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

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

Hong Kong, July 26, 2001