

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

SUBSIDIARIES

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

RESULTS

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

RESERVES

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

FINANCIAL SUMMARY

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT AND EQUIPMENT

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

MAJOR PROPERTIES

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

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SHARE CAPITAL

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

DIRECTORS

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

Executive directors

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

Non-executive directors

Fong Kwok Jen
Wooldridge Mark Dean
Chan Tong Wan

Independent non-executive directors

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

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

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

DIRECTORS' INTERESTS IN SHARES

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

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

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

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

No share option was granted or exercised during the year.

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

DIRECTORS' REPORT

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES – *continued*

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

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

No share option was granted or exercised during the year.

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

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

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

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SUBSTANTIAL SHAREHOLDERS

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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

AUDITORS

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

On behalf of the Board

CHAN HENG FAI

CHAIRMAN

July 26, 2001