

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended September 30, 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate holding company is Heng Fung Holdings Limited (formerly known as Online Credit International Limited) (“Heng Fung”), 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

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 Interim Financial Reporting and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted are consistent with those followed in the Group’s annual financial statements for the year ended March 31, 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants:

Segment reporting

SSAP 26 “Segment reporting”, which has been adopted for the first time in this interim financial report, has established principles for reporting a segmental analysis of financial information. The details are set out in note 4.

Provisions

In accordance with SSAP 28 “Provisions, contingent liabilities and contingent assets”, provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Impairment of assets

SSAP 31 “Impairment of Assets” is effective for periods beginning on or after January 1, 2001 and has introduced a formal framework for the recognition of impairment losses in respect of the Group’s assets.

The adoption of the above standards has had no material effect on amounts reported in prior periods.

4. SEGMENT INFORMATION

The Group's turnover and contribution to loss from operations, analysed by business segment and by geographical segment, are as follows:

	Turnover		Contribution to loss from operations	
	Six months ended		Six months ended	
	9.30.2001	9.30.2000	9.30.2001	9.30.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Retailing of fashion apparel and accessories	72	2,873	(368)	284
Property investment	617	142	497	(391)
Financial and securities investment	32	4	12	(346)
	<u>721</u>	<u>3,019</u>	141	(453)
Unallocated other revenue			484	113
Unallocated corporate expenses			<u>(1,783)</u>	<u>(742)</u>
Loss from operations			<u>(1,158)</u>	<u>(1,082)</u>

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

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging (crediting):

	Six months ended	
	9.30.2001	9.30.2000
	HK\$'000	HK\$'000
Depreciation	207	279
Dividend income	(45)	(86)
Interest income	<u>(6)</u>	<u>(3)</u>

6. TAXATION

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the period (six months ended September 30, 2000: Nil). The tax credit shown represented reversal of the overprovision of Hong Kong Profits Tax made in respect of previous years.

7. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss for the period of HK\$1,069,000 (six months ended September 30, 2000: HK\$1,085,000) and on 240,440,268 (six months ended September 30, 2000: 208,292,307) weighted average number of ordinary shares outstanding during the period. No diluted loss per share is calculated as the effect of potential ordinary share is anti-dilutive.

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired and disposed of property, plant and equipment of HK\$Nil and HK\$23,000 (year ended March 31, 2001: HK\$36,000 and HK\$50,000) respectively.

The Group did not acquire or dispose of any investment properties during the period. During the year ended March 31, 2001, the Group acquired investment properties of HK\$13,300,000 through acquisition of a subsidiary.

9. TRADE AND OTHER RECEIVABLES

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

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

	9.30.2001 <i>HK\$'000</i> (unaudited)	3.31.2001 <i>HK\$'000</i> (audited)
0 – 60 days	–	11
61 – 90 days	–	–
Over 90 days	116	181
Deposits, prepayment and other receivables	125	298
	<u>241</u>	<u>490</u>

10. TRADE AND OTHER PAYABLES

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

	9.30.2001 <i>HK\$'000</i> (unaudited)	3.31.2001 <i>HK\$'000</i> (audited)
0 – 60 days	330	718
61 – 90 days	161	5
Over 90 days	2,043	1,530
	<u>2,534</u>	<u>2,253</u>

11. SHARE CAPITAL

	Ordinary shares		Preference shares		Total <i>HK\$'000</i>
	No. of shares '000 <i>HK\$0.01 each</i>	<i>HK\$'000</i>	No. of shares '000 <i>HK\$1 each</i>	<i>HK\$'000</i>	
At March 31, 2001	208,292	2,083	123,902	123,902	125,985
Issuance of new ordinary shares	30,000	300	–	–	300
Conversion of preference shares to ordinary shares	123,077	1,231	(16,000)	(16,000)	(14,769)
At September 30, 2001	<u>361,369</u>	<u>3,614</u>	<u>107,902</u>	<u>107,902</u>	<u>111,516</u>

The following changes in the Company's share capital have taken place during the reporting period:

- (a) During the period, Heng Fung has exercised the option to convert 8,000,000 CP shares on each of August 15, 2001 and August 29, 2001 into total 123,076,922 ordinary shares of HK\$0.01 each at HK\$0.13 per share.
- (b) On August 30, 2001, the Company issued 30,000,000 ordinary shares of HK\$0.60 each for a total consideration of HK\$18,000,000 to raise additional working capital to the Company.

12. RESERVES

	Asset revaluation reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At March 31, 2001	3,822	677	22,718	1,602	(84,384)	(55,565)
Issue of ordinary shares	-	-	17,700	-	-	17,700
Conversion of preference shares	-	-	14,769	-	-	14,769
Net loss for the period	-	-	-	-	(1,069)	(1,069)
At September 30, 2001	<u>3,822</u>	<u>677</u>	<u>55,187</u>	<u>1,602</u>	<u>(85,453)</u>	<u>(24,165)</u>

13. PLEDGE OF ASSETS

At September 30, 2001, the Group pledged a bank deposit of HK\$Nil (3.31.2001: HK\$1,051,000) to secure banking facilities granted to the Group.

14. CHANGE OF NAME

Pursuant to a special resolution passed on October 16, 2001, the name of the Company was changed from eBiz.hk.com Limited 聯網商業香港有限公司 to Hai Xia Holdings Limited 海峽集團有限公司.

15. POST BALANCE SHEET DATE EVENTS

- (a) On July 27, 2001, Heng Fung, Hai Xia Finance Holdings Ltd. ("Hai Xia Finance") and the Company entered into an agreement whereby Heng Fung has agreed to grant to Hai Xia Finance an option to acquire up to 380,000,000 Shares of the Company at a price of HK\$0.16 per Share within 12 months from the date of satisfaction of certain conditions. A summary of the terms of this agreement are set out in a circular of Heng Fung dated August 21, 2001 issued to the shareholders of Heng Fung. On November 2, 2001, the parties to this agreement entered into a supplemental agreement to extend the time limit for the satisfaction of the conditions to December 31, 2001.
- (b) On November 22, 2001, the Company entered into the conditional agreement in relation to the Securities Exchange (the "Agreement") with Greater China Sci-Tech Holdings Limited ("Greater China"). Pursuant to the Agreement, the Company has agreed to subscribe for the New Greater China Shares at a price of HK\$0.10 each in consideration for the issue by the Company's New Shares at HK\$0.60 each. Upon completion of the Agreement, the Company will effectively hold 11.9% of ordinary share capital of Greater China and Greater China will effectively hold 21.6% of ordinary share capital of the Company.

- (c) On November 28, 2001 (and amended on December 4, 2001), a subscription agreement was entered into between the Company and First Bullet Finance Limited (the “Subscriber”) pursuant to which the Company has agreed to allot and issue to the Subscriber and the Subscriber has agreed to subscribe an aggregate of 36,000,000 shares in the capital of the Company (the “New Shares”) at a price of HK\$0.60 per New Shares, subject to, among other things, The Stock Exchange of Hong Kong Limited granting the listing or, and permission to deal in, the New Shares. A summary of the terms of this agreement are set out in an announcement of the Company dated December 4, 2001.