

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. Its subsidiaries are principally engaged in investment holding, property investment and development, securities investment and credit card business.

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 the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 preparation of 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 and 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. Segment disclosures for the six months ended September 30, 2000 have been amended so that they are presented on a consistent basis. The details are set out in note 4.

Goodwill

In the current period, the Group has adopted SSAP 30 “Business combinations” and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to March 31, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to March 31, 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after March 31, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after March 31, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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. Although in prior years, the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amount of goodwill arising on acquisition of subsidiary and associate, resulting in the identification of additional impairment loss at September 30, 2001 amounting to HK\$28,898,000. These additional impairment loss has been recognised in full in the current interim period.

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 is probable will result in an outflow of economic benefits that can be reasonably estimated.

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 profit (loss) from operations, analysed by business segments and by geographical segments, are as follows:

| | Turnover | | Contribution to profit (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) |
| By business segments: | | | | |
| Credit card operations | 29,111 | 13,056 | 17,071 | (468) |
| Securities trading and investments | 1,737 | 2,490 | 1,801 | 2,115 |
| Treasury investment | | | | |
| – interest income | 3,885 | 7,933 | 7,721 | 7,933 |
| Retailing of fashion apparel and accessories | 72 | 2,873 | (368) | 284 |
| Property investment | 670 | 849 | 550 | 316 |
| | <u>35,475</u> | <u>27,201</u> | <u>26,775</u> | <u>10,180</u> |
| Unallocated corporate expenses | | | (20,370) | (22,205) |
| Profit (loss) from operations | | | <u>6,405</u> | <u>(12,025)</u> |

Included in credit card operations for the period are credit card service income and credit card interest income of approximately HK\$2,479,000 (2000: HK\$2,287,000) and HK\$26,632,000 (2000: HK\$10,769,000) respectively.

There is no inter-segment sales between different business segments.

| | Turnover | | Contribution to profit (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) |
| By geographical segments: | | | | |
| Hong Kong | 35,065 | 26,190 | 26,523 | 9,347 |
| North America | 214 | 794 | 156 | 616 |
| South East Asia | 196 | 217 | 96 | 217 |
| | <u>35,475</u> | <u>27,201</u> | <u>26,775</u> | <u>10,180</u> |
| Unallocated corporate expenses | | | (20,370) | (22,205) |
| Profit (loss) from operations | | | <u>6,405</u> | <u>(12,025)</u> |

5. OTHER REVENUE

Included in other revenue for the six months ended September 30, 2000 was an option fee of HK\$9,060,000 recognised on expiry of options granted to Global Vmall.com (USA) Inc. for the acquisition of shares in Hai Xia Holdings Limited (“Hai Xia”) (formerly known as eBiz.hk.com Limited), a subsidiary of the Company.

6. PROFIT (LOSS) FROM OPERATIONS

| | Six months ended | |
|---|------------------|-------------|
| | 9.30.2001 | 9.30.2000 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Profit (loss) from operations has been arrived at after charging (crediting): | | |

| | | |
|-----------------|--------------|--------------|
| Depreciation | 1,215 | 1,167 |
| Dividend income | <u>(671)</u> | <u>(699)</u> |

7. DEEMED DISPOSAL OF A SUBSIDIARY

During the period, Hai Xia Holdings Limited (formerly known as eBiz.hk.com Limited) (“Hai Xia”) 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, which resulted in a deemed disposal of the Company’s interest in the ordinary share capital of Hai Xia.

8. TAXATION

| | Six months ended | |
|--|------------------|--------------|
| | 9.30.2001 | 9.30.2000 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| The tax credit (charge) comprises: | | |
| Hong Kong Profits Tax | | |
| – Over(under)provision in respect of prior periods | 89 | (23) |
| Overseas taxation | <u>–</u> | <u>(290)</u> |
| | <u>89</u> | <u>(313)</u> |

No provision for Hong Kong Profits Tax and overseas taxation have been made as there is no assessable profit for the period. Overseas taxation for the six months ended September 30, 2000 was calculated at the rates prevailing in the respective jurisdiction.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss for the period of HK\$11,754,000 (2000: HK\$19,044,000) and on the weighted average number of 1,268,117,965 (2000: 1,268,115,869) ordinary shares in issue during the period.

No diluted loss per share is calculated as the effect of potential ordinary shares is anti-dilutive.

10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired and disposed of property, plant and equipment of HK\$71,000 and HK\$23,000 respectively (Six months ended September 30, 2000: HK\$6,837,000 and HK\$22,000 respectively).

The Group did not acquire or dispose of any investment properties during the either period.

11. TRADE AND OTHER RECEIVABLES

The Group does not allow any credit terms to its trade customers but allow up to 56 days interest-free repayment period to credit card holders for retail sales.

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

| | 9.30.2001 <i>HK\$'000</i> (unaudited) | 3.31.2001 <i>HK\$'000</i> (audited) |
|---|---|---|
| 0 – 60 days | 110,648 | 112,060 |
| 61 – 90 days | 2,887 | 2,513 |
| Over 90 days | 6,996 | 15,304 |
| Deposits, prepayments and other receivables | 9,851 | 11,732 |
| | <u>130,382</u> | <u>141,609</u> |

12. 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 | 2,957 | 6,799 |
| 61 – 90 days | 250 | 222 |
| Over 90 days | 32,425 | 29,764 |
| | <u>35,632</u> | <u>36,785</u> |

13. BORROWINGS

| | 9.30.2001 <i>HK\$'000</i> (unaudited) | 3.31.2001 <i>HK\$'000</i> (audited) |
|---|---|---|
| Mortgage loans | 4,602 | 4,803 |
| Bank overdrafts | 5 | 27 |
| | <hr/> | <hr/> |
| | 4,607 | 4,830 |
| <i>Less: amount due within one year shown under current liabilities</i> | <hr/> (421) | <hr/> (428) |
| Amount due after one year | <hr/> 4,186 | <hr/> 4,402 |

14. SHARE CAPITAL

| | Number of shares | Amount <i>HK\$'000</i> |
|--|-----------------------------|----------------------------------|
| Ordinary shares of HK\$0.25 each | | |
| <i>Authorised:</i> | | |
| At beginning and at end of the period/year | <hr/> 2,000,000,000 | <hr/> 500,000 |
| <i>Issued and fully paid:</i> | | |
| At April 1, 2000 | 1,268,113,712 | 317,028 |
| Exercise of warrants | <hr/> 4,253 | <hr/> 1 |
| At March 31, 2001 and September 30, 2001 | <hr/> 1,268,117,965 | <hr/> 317,029 |

15. RESERVES

| | Share premium HK\$'000 | Goodwill reserve HK\$'000 | Capital reserve HK\$'000 | Translation reserve HK\$'000 | Deficit HK\$'000 | Total HK\$'000 |
|--|------------------------------|---------------------------------|--------------------------------|------------------------------------|---------------------|-------------------|
| At April 1, 2000 | 366,509 | (65,604) | 1,479 | 12,203 | (305,083) | 9,504 |
| Goodwill arising on acquisition of additional interest in a subsidiary | - | (240) | - | - | - | (240) |
| Capital reserve arising on acquisition of subsidiaries | - | 2,722 | - | - | - | 2,722 |
| Exchange realignment | - | - | - | (71) | - | (71) |
| Net loss for the year | - | - | - | - | (99,829) | (99,829) |
| | <u>366,509</u> | <u>(65,604)</u> | <u>1,479</u> | <u>12,203</u> | <u>(305,083)</u> | <u>9,504</u> |
| At March 31, 2001 | 366,509 | (63,122) | 1,479 | 12,132 | (404,912) | (87,914) |
| Released on deemed disposal of a subsidiary | - | 3,063 | - | - | - | 3,063 |
| Impairment of goodwill recognised | - | 28,898 | - | - | - | 28,898 |
| Net loss for the period | - | - | - | - | (11,754) | (11,754) |
| | <u>366,509</u> | <u>(63,122)</u> | <u>1,479</u> | <u>12,132</u> | <u>(404,912)</u> | <u>(87,914)</u> |
| At September 30, 2001 | <u>366,509</u> | <u>(31,161)</u> | <u>1,479</u> | <u>12,132</u> | <u>(416,666)</u> | <u>(67,707)</u> |

16. PLEDGE OF ASSETS

At September 30, 2001, the Group pledged bank deposits of HK\$4,062,000 (3.31.2001: HK\$5,074,000) as securities for the credit card business transactions with MasterCard International Inc. and as securities for banking facilities granted to a subsidiary.

The mortgage loans of HK\$4,602,000 (3.31.2001: HK\$4,803,000) are secured on the investment properties of the Group with an aggregate carrying value of HK\$8,244,460 (3.31.2001: HK\$8,309,000).

17. CHANGE OF NAME

Pursuant to a special resolution passed on October 16, 2001, the name of the Company was changed from Online Credit International Limited 聯網信貸國際有限公司 to Heng Fung Holdings Limited 恒鋒集團有限公司.

18. POST BALANCE SHEET EVENTS

- (a) On October 24, 2001, the Company entered into agreement with eVision USA.Com., Inc., to extend the completion date of an agreement dated June 8, 2001 relating to the acquisition of interests in eBanker USA.Com, Inc., Global Growth Inc. and Global Med Technologies Inc. Details of the agreements are set out in a circular issued to the shareholders of the Company on June 30, 2001.

- (b) On July 27, 2001, the Company, Hai Xia Finance Holdings Limited (“Hai Xia Finance”) and Hai Xia Holdings Limited (“Hai Xia”), a subsidiary of the Company entered into an agreement whereby the Company has agreed to grant to Hai Xia Finance an option to acquire up to 380,000,000 shares of Hai Xia 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 the Company dated August 21, 2001 issued to the shareholders of the Company. 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.
- (c) On November 22, 2001, Hai Xia entered into a conditional agreement in relation to the Securities Exchange (the “Agreement”) with Greater China Sci-Tech Holdings Limited (“Greater China”). Pursuant to the Agreement, Hai Xia has agreed to subscribe for Greater China’s New Shares at a price of HK\$0.10 each in consideration for the issue by Hai Xia’s New Shares at HK\$0.60 each. Upon completion of the Agreement, Hai Xia 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 Hai Xia.
- (d) On November 28, 2001 (and amended on December 4, 2001), a subscription agreement was entered into between Hai Xia and First Bullet Finance Limited (the “Subscriber”), pursuant to which, Hai Xia 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 Hai Xia at a price of HK\$0.60 per share, subject to, among other things, the Stock Exchange’s approval. A summary of the terms of this agreement are set out in an announcement of Hai Xia dated December 4, 2001.