



# China Credit Holdings Limited 中國信貸集團有限公司

FORMERLY KNOWN AS HENG FUNG HOLDINGS LIMITED

前稱恒鋒集團有限公司

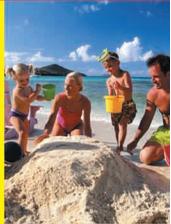
Hong Kong Stock Exchange Stock Code 香港聯合交易所上市編號：185



## INTERIM REPORT 2004-2005 中期報告

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The Board of Directors (the “Board”) of China Credit Holdings Limited, formerly known as Heng Fung Holdings Limited (the “Company”) announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”), which have been reviewed by the Company’s Audit Committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004**

		<b>Six months ended</b>	
		<b>9.30.2004</b>	<b>9.30.2003</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Turnover	4	176,677	179,988
Cost of sales		<u>(159,715)</u>	<u>(124,172)</u>
Gross profit		16,962	55,816
Other operating income		5,673	334
Administrative expenses		(50,217)	(51,972)
Net unrealised (loss) gain on other investments		<u>(15,396)</u>	<u>38,440</u>
(Loss) profit from operations	5	(42,978)	42,618
Finance costs		(3,956)	(4,189)
Provision for amount due from an associate		(2,069)	–
Gain on deemed disposal of a subsidiary		6,564	24,683
Gain on disposal of an associate		<u>13,212</u>	<u>–</u>
(Loss) profit before taxation		(29,227)	63,112
Taxation	6	<u>–</u>	<u>–</u>
Net (loss) profit before minority interests		(29,227)	63,112
Minority interests		<u>824</u>	<u>632</u>
Net (loss) profit for the period		<u><u>(28,403)</u></u>	<u><u>63,744</u></u>
(Loss) earnings per share	8		
Basic		<u>(1.83 cents)</u>	<u>4.28 cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT SEPTEMBER 30, 2004**

	<i>NOTES</i>	<b>9.30.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>3.31.2004</b> <i>HK\$'000</i> <b>(audited)</b>
<b>Non-current assets</b>			
Investment properties		16,121	16,121
Property, plant and equipment	9	57,764	7,124
Goodwill		10,043	12,195
Note receivable		6,072	–
Interests in associates		–	31,308
Intangible assets		251	404
Investments in securities		14,954	14,826
Pledged bank deposits		4,051	4,076
		<u>109,256</u>	<u>86,054</u>
<b>Current assets</b>			
Inventories		425	322
Properties held for sale		79	79
Trade and other receivables	10	86,157	60,662
Taxation recoverable		–	473
Loans receivable – due within one year		768	3,801
Investments in securities		164,531	155,780
Pledged bank deposits		–	23,113
Bank balances and cash		115,540	144,311
		<u>367,500</u>	<u>388,541</u>
<b>Total assets</b>		<u><b>476,756</b></u>	<u><b>474,595</b></u>

	<i>NOTES</i>	<b>9.30.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>3.31.2004</b> <i>HK\$'000</i> <b>(audited)</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	<i>12</i>	16,259	379,529
Reserves	<i>13</i>	322,774	(25,570)
		<u>339,033</u>	<u>353,959</u>
<b>Minority interests</b>		<u>10,975</u>	<u>11,799</u>
<b>Non-current liabilities</b>			
Borrowings		37,636	8,855
Convertible debentures		47,107	46,650
Amounts due to associates		1,681	1,679
Deferred taxation		1,014	1,014
		<u>87,438</u>	<u>58,198</u>
<b>Current liabilities</b>			
Trade and other payables	<i>11</i>	35,745	34,970
Borrowings		3,479	15,583
Taxation payable		86	86
		<u>39,310</u>	<u>50,639</u>
<b>Total equity and liabilities</b>		<u><u>476,756</u></u>	<u><u>474,595</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004**

	<b>Total equity</b>	
	<b>Six months ended</b>	
	<b>9.30.2004</b>	<b>9.30.2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
At beginning of the period	353,959	455,194
Goodwill reserve released on partial/deemed disposal of subsidiaries and an associate	–	(520)
Issue of ordinary shares	13,477	–
Net (loss) profit for the period	(28,403)	63,744
	<u>339,033</u>	<u>518,418</u>
At end of the period	<u>339,033</u>	<u>518,418</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004**

	<b>Six months ended</b>	
	<b>9.30.2004</b>	<b>9.30.2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
NET CASH USED IN OPERATING ACTIVITIES	(52,460)	(50,044)
NET CASH USED IN INVESTING ACTIVITIES	(2,966)	(4,780)
NET CASH FROM FINANCING ACTIVITIES	26,655	5,581
	<u>(28,771)</u>	<u>(49,243)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(28,771)	(49,243)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	144,311	115,265
	<u>115,540</u>	<u>66,022</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>115,540</u>	<u>66,022</u>
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<u>115,540</u>	<u>66,022</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2004**

**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 “HKSE”).

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, the credit card business and the health care business.

**2. BASIS OF PREPARATION**

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice No. 25 (“SSAP 25”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

**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, 2004.

**4. SEGMENT INFORMATION**

**Business segments**

For management purposes, the Group is currently organised into five operating divisions – credit card operations, securities trading and investments, treasury investment, property investment and health care. These principal operating activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below.

	<b>Turnover</b>		<b>Segment results</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>9.30.2004</b>	<b>9.30.2003</b>	<b>9.30.2004</b>	<b>9.30.2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
By business segment:				
Credit card operations	9,170	9,603	(1,351)	1,720
Securities trading and investments	143,853	138,994	(17,151)	72,512
Treasury investment	868	1,030	868	(2,478)
Property investment	884	634	884	351
Health care	21,902	29,727	(5,100)	1,481
	<u>176,677</u>	<u>179,988</u>	(21,850)	73,586
Unallocated corporate revenue			2,178	334
Unallocated corporate expenses			(23,306)	(31,302)
(Loss) profit from operations			<u>(42,978)</u>	<u>42,618</u>

## 5. (LOSS) PROFIT FROM OPERATIONS

	<b>Six months ended</b>	
	<b>9.30.2004</b>	<b>9.30.2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>

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

Depreciation	1,305	1,017
Amortisation of goodwill included in administrative expenses	2,152	2,736
Amortisation and write off of intangible assets included in administrative expenses	153	1,844
Dividend income	<u>(592)</u>	<u>(1,675)</u>

## 6. TAXATION

No provision for Hong Kong Profits Tax and overseas taxation have been made in the condensed financial statements as the Group had no assessable profit for both periods.

## 7. DIVIDEND

No dividend were paid during the period. The directors do not recommend the payment of an interim dividend.

## 8. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on net loss for the period of HK\$28,403,000 (six months ended September 30, 2003: profit of HK\$63,744,000) and on the weighted average number of 1,548,169,185 shares (six months ended September 30, 2003: 1,488,117,965 shares).

The computation of diluted loss per share for the period ended September 30, 2004 does not assume the exercise of potential dilutive ordinary shares as their exercise would result in reduction in loss per share for the period ended September 30, 2004 and the conversion of the Group's outstanding convertible debentures would not result in a net profit for the period.

No diluted earnings per share for the period ended September 30, 2003 has been presented because the exercise price of the Company's options/warrants was higher than the average market price of the Company's shares for the period ended September 30, 2003 and the conversion of the Group's outstanding convertible bonds would result in an increase in net profit per share from operations.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired of property, plant and equipment at the cost of HK\$51,945,000 (six months ended September 30, 2003: HK\$223,000).

## 10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit terms of 45 days to its trade customers of health care business and up to 56 days interest free repayment period for the credit card holders for retail sales.

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

	<b>9.30.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>3.31.2004</b> <i>HK\$'000</i> <b>(audited)</b>
0 – 60 days	43,062	33,353
61 – 90 days	121	395
Over 90 days	4,673	2,608
Deposits, prepayments and other receivables	38,301	24,306
	<hr/>	<hr/>
	<b>86,157</b>	<b>60,662</b>
	<hr/>	<hr/>

## 11. TRADE AND OTHER PAYABLES

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

	<b>9.30.2004</b> <i>HK\$'000</i> <b>(unaudited)</b>	<b>3.31.2004</b> <i>HK\$'000</i> <b>(audited)</b>
0 – 60 days	3,839	2,804
61 – 90 days	233	43
Over 90 days	318	109
Accruals and other payables	<u>31,355</u>	<u>32,014</u>
	<u><b>35,745</b></u>	<u><b>34,970</b></u>

## 12. SHARE CAPITAL

	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.25 each at April 1, 2004	40,000,000,000	10,000,000
Capital Reduction on April 19, 2004, shares of HK\$0.01 each	–	(9,600,000)
Increase on April 19, 2004 of HK\$0.01 each	<u>960,000,000,000</u>	<u>9,600,000</u>
At September 30, 2004, shares of HK\$0.01 each	<u><b>1,000,000,000,000</b></u>	<u><b>10,000,000</b></u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.25 each at April 1, 2004	1,518,117,965	379,529
Capital Reduction on April 19, 2004, shares of HK\$0.01 each	–	(364,348)
Exercise of warrants subscription rights	53,913,095	539
Issue of bonus shares	<u>53,900,000</u>	<u>539</u>
At September 30, 2004, shares of HK\$0.01 each	<u><b>1,625,931,060</b></u>	<u><b>16,259</b></u>

*Note:* Pursuant to a special resolution passed on April 19, 2004, the nominal value of the shares of HK\$0.25 each in the share capital of the Company was reduced to HK\$0.01 by cancelling share capital to the extent of HK\$0.24 on each of the issued and unissued shares.

### 13. RESERVES

	Share premium <i>HK\$'000</i>	Goodwill reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Deficit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At April 1, 2003	331,509	(8,751)	1,479	570	12,531	(254,173)	83,165
Released on partial disposal of a subsidiary	-	(520)	-	-	-	-	(520)
Net profit for the period	-	-	-	-	-	63,744	63,744
At September 30, 2003	<u>331,509</u>	<u>(9,271)</u>	<u>1,479</u>	<u>570</u>	<u>12,531</u>	<u>(190,429)</u>	<u>146,389</u>
At April 1, 2004	327,759	(2,556)	(293)	-	12,531	(363,011)	(25,570)
Capital reduction	364,348	-	-	-	-	-	364,348
Exercise of warrants							
Subscription rights	12,938	-	-	-	-	-	12,938
Issue of bonus shares	(539)	-	-	-	-	-	(539)
Net loss for the period	-	-	-	-	-	(28,403)	(28,403)
At September 30, 2004	<u>704,506</u>	<u>(2,556)</u>	<u>(293)</u>	<u>-</u>	<u>12,531</u>	<u>(391,414)</u>	<u>322,774</u>

### 14. WARRANTS

A bonus issue of warrants was made on the basis of one warrant for every ten ordinary shares held on April 26, 2004. Each warrant carries an entitlement to subscribe in cash at a price of HK\$0.20 for one ordinary share of the Company, at any time from the date of issue to May 31, 2005.

During the period, the registered holders of 53,913,095 warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding 151,798,700 warrants. Exercise in full of such warrants would result in the issue of 151,798,700 additional shares of HK\$0.01 each.

### 15. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities of the Group were as follows:

(a)	<b>9.30.2004</b> <i>HK\$'000</i>	<b>3.31.2004</b> <i>HK\$'000</i>
Guarantees given to a financial institution in respect of banking facilities granted to subsidiaries	36,384	3,884

The extent of the facilities utilised as at September 30, 2004 by the subsidiaries amounted to HK\$34,548,000 (3.31.2004: HK\$2,768,000).

- (b) Actions were brought by Pricerite Stores Limited and Pricerite Group Limited (together referred to as “Pricerite”) respectively, against a subsidiary of the Company, in respect of the alleged breach of agreement, for damages which are not quantified. In the opinion of the directors, it is not practicable at this stage to determine with certainty the outcome of the litigation.

## **16. PLEDGE OF ASSETS**

At September 30, 2004, the Group pledged bank deposits of HK\$4,051,000 (March 31, 2004: HK\$4,076,000) as securities for banking facilities granted to a subsidiary and as securities for the credit card business transactions with MasterCard International Inc.

The mortgage loans of HK\$41,115,000 (March 31, 2004: HK\$9,438,000) are secured on the investment properties and land and buildings of the Group with an aggregate carrying value of HK\$65,129,000 (March 31, 2004: HK\$16,121,000).

## **17. POST BALANCE SHEET EVENTS**

- (a) On July 24, 2003, Online Credit Limited (“OCL”), a subsidiary of the Company, entered into a conditional bond subscription agreement to subscribe for a convertible bond with principal amount of S\$4,000,000 and a call option issued by Futuristic Image Builder Ltd. (“Futuristic”), a company incorporated in the Singapore with its shares listed on the Singapore Exchange Securities Trading Limited, for a consideration of S\$4,000,000. Subsequent to the balance sheet date, OCL has fully converted the convertible bond and exercised S\$200,000 call option and holds approximately 36.2% of the issued share capital of Futuristic.
- (b) On October 12, 2004, SingXpress Pte Ltd (“SingXpress”), a subsidiary of the Company, entered into an agreement pursuant to which SingXpress agreed to acquire 280,000 shares from the vendor and agreed to subscribe 800,000 new shares of Anglo-French Travel Pte Ltd (“Anglo-French”), a company incorporated in the Singapore for a consideration of S\$2.7 million.
- (c) A bonus issue of warrants was made on the basis of one warrant for every ten ordinary shares held on November 5, 2004. Each warrant carries an entitlement to subscribe in cash at a price of HK\$0.09 for one ordinary share of the Company, at any time from the date of issue to September 30, 2009.
- (d) In November 2004, the Group agreed to acquire an apartment in Singapore which is under construction for approximately HK\$10 million.
- (e) On November 29, 2004, China Xpress Pte Ltd. (“CXP”) entered into a conditional bond subscription agreement to subscribe for a convertible bond with principal amount of JPY49,984,800 issued by JCA International Co. Ltd. (“JCA”), a company incorporated in Japan for a cash consideration of JPY49,980,800.

- (f) On December 6, 2004, CXP entered into a head of agreement with Startech Electronic Ltd. (“Startech”) pursuant to which (1) CXP has agreed to issue or procure to deliver 100,000,000 shares of CXP for S\$5 million to Startech in exchange for the allotment and issue of 50,000,000 shares of Startech, (2) CXP has agreed to subscribe for the tranche 1 bond and (3) CXP has the rights to subscribe for the tranche 2 bond. The tranche 1 bond and tranche 2 bond when converted will result in the issuance of free warrants which carry a right to exercise into 60,000,000 and up to 90,000,000 new Startech shares, respectively. The transaction is subject to, amongst other conditions, Startech being satisfied with the due diligence results to be conducted by Startech on CXP and CXP being satisfied with the due diligence results to be conducted by CXP on Startech.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group’s turnover for the six months ended September 30, 2004 was HK\$176.7 million, compared to turnover of HK\$180.0 million for the same period in 2003, representing a 1.8% decrease. Loss attributable to shareholders for the six months ended September 30, 2004 was HK\$28.4 million compared to a profit attributable to shareholders of HK\$63.7 million for the same period in 2003. The loss per share for the six months ended September 30, 2004 was HK1.83 cents compared to earnings per share of HK4.28 cents for the same period in 2003.

### **Financial and Securities Investment Division**

Total investment income was HK\$143.9 million, 3.5% higher than the HK\$139.0 million reported for the same period last year. The division contributed a loss of HK\$17.2 million which was predominantly due to unrealised loss on other investments in China Gas Holdings Limited and Global Digital Creations Holdings Ltd. of HK\$14.5 million on the investment portfolio.

### **Credit Card Division**

The Credit Card business recorded a turnover of approximately HK\$9.2 million, represent a decrease of 4.5% from the same period last year. With the improvement in labour market and the implementation of positive credit data sharing in Hong Kong, during the period under review through continuous marketing efforts, the Credit Card business achieved a significant expansion in the customer base. Nevertheless, the low level of interest rate and keen competition resulted in a decrease in our net interest income.

### **Health Care**

Global Med Technologies, Inc. (“Global Med”), a US e-Health medical information technology company, which offers products and services which presently manage more than 22% of the U.S. blood supply, has contracts to expand into the American Red Cross’s blood network and is also closely working with Safe Blood for Africa™ Foundation, as one of the top companies providing products, support and services to help establish urgently needed blood services and support throughout sub-Saharan Africa, in order to help stop the transmission of AIDS through contaminated blood transfusions. Global Med’s subsidiary, PeopleMed.com, Inc., provides revolutionary software applications designed to provide comprehensive clinical information on chronic disease patients to increase quality of care while decreasing administrative costs.

During the period, the health care business recorded a turnover of HK\$21.9 million, compared to turnover of HK\$29.7 million for the same period in 2003, representing a 26.3% decrease. The operating loss of HK\$5.1 million compared to profit of HK\$1.5 million for the same period in 2003.

## **Travel Business**

During the period under review, the Group has been undertaking the development of new business activity by combining travel-related and finance-related activity through a group entity, CXP. CXP intends to become a China focused company with strong international presence and achieve this through acquisitions and strategic partnerships throughout the travel and travel-related industries.

## **Liquidity and Capital Resources**

A bonus issue of warrants was made on the basis of one warrant for every ten ordinary shares held on April 26, 2004. Each warrant carries an entitlement to subscribe in cash at a price of HK\$0.20 for one ordinary share of the Company, at any time from the date of issue to May 31, 2005.

During the period, the registered holders of 53,913,095 warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding 151,798,700 warrants. Exercise in full of such warrants would result in the issue of 151,798,700 additional shares of HK\$0.01 each.

During the period under review, the Company raised approximately HK\$13.5 million from the exercise of warrants resulting in the issue of 107.8 million shares.

As at September 30, 2004, the Group's current ratio was 9.3 (3.31.2004: 7.7) and the gearing of the Group was 26.0% (3.31.2004: 20.1%), which was calculated based on the total borrowings of HK\$88.2 million and the shareholders' fund of HK\$339.0 million. Bank balance and cash amounted to HK\$115.5 million.

## **Material acquisitions, disposals and significant investments**

During the period, the Group disposed of its interests in China EnerSave Limited, an associate of the Group listed in the Singapore Exchange Securities Trading Limited, in the open market.

During the first half of the year the Group has acquired new office premises for approximately HK\$49.5 million.

In March 2004, the Group entered into a conditional agreement to dispose of approximately 17.4% of the issued share capital of Online Credit Card Limited to PDC Corp Ltd ("PDC"), the shares of which are listed on the Singapore Exchange Securities Trading Limited, for a consideration of S\$11.5 million to be satisfied in full by the issue of a convertible bond of PDC, subject to, among other things, the shareholders' approval of PDC.

In June 2004, the Group entered into a conditional restructuring agreement with RNA Holdings Limited ("RNA"), RSM Nelson Wheeler Corporate Advisory Services Limited, Chan Fat Chu, Raymond and Chan Fat Leung, Alexander in relation to the debt restructuring of RNA. Pursuant to which the Group will subscribe 5.5 billion new shares of RNA for cash proceeds of HK\$5.5 million and is granted a right to subscribe for approximately such number of new shares of RNA at HK\$0.0015 each which shall represent 22% of the enlarged issued ordinary share capital of RNA after restructuring.

In October 2004, the Group entered into an agreement to acquire and subscribe new shares of Anglo-French Travel Pte Ltd which represent 60% of the enlarged issued capital of Anglo-French Travel Pte Ltd, a company incorporated in Singapore with limited liability for a consideration of S\$2.7 million.

In November 2004, the Group fully converted the convertible bond issued by Futuristic and exercised S\$200,000 call option resulting in holdings of approximately 36.2% of the issued share capital of Futuristic.

In November 2004, the Group entered into a conditional bond subscription agreement to subscribe for a convertible bond with principal amount of JPY49,984,800 issued by JCA, a company incorporated in Japan for a cash consideration of JPY49,980,800.

In November 2004, the Group agreed to acquire an apartment in Singapore which is under construction for approximately HK\$10 million.

In December 2004, the Group entered into a head of agreement with Startech pursuant to which (1) CXP agree to issue or procure to deliver 100,000,000 shares of CXP for S\$5 million to Startech in exchange for the allotment and issue of 50,000,000 shares of Startech, (2) CXP has agreed to subscribe for the S\$6 million tranche 1 bond and (3) CXP has the rights to subscribe for the S\$9 million tranche 2 bond. The tranche 1 bond and tranche 2 bond when converted will result in the issuance of free warrants which carrying a right to exercise into 60,000,000 and up to 90,000,000 new Startech shares, respectively. The transaction is subject to, amongst other conditions, Startech being satisfied with the due diligence results to be conducted by Startech on CXP and CXP being satisfied with the due diligence results to be conducted by CXP on Startech.

### **Foreign currencies and treasury policy**

Substantially all the revenues, expenses, assets and liabilities are denominated mainly in Hong Kong dollars, U.S. dollars or Singapore dollars. The exchange rate between these currencies has remained stable and thus no hedging or other alternatives have been implemented by the Group. The Group expected that there is no significant exposure on foreign currency, but it cannot be assured operating results in future will not be materially affected. The Group does not engage in any interest rate or currencies speculations.

### **Credit risk management**

The Group's credit policy defines the credit extension criteria, the credit approval and monitoring processes, and the loan provisioning policy. The Group maintains tight control on loan assessments and approvals and will continue to exercise a conservative and prudent policy in granting loans in order to maintain a quality loan portfolio and manage the credit risk exposure of the Group.

### **Human resources**

Remuneration packages are generally structured by reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. At the balance sheet date, there were approximately 108 employees employed by the Group. Share options may also be granted to eligible employees and persons of the Group.

### **Prospects**

In order to better reflect the finance nature of the Group's principal businesses, we have change the English and Chinese name of the Company to "China Credit Holdings Limited 中國信貸集團有限公司", respectively with effect from September 6, 2004.

It is our business strategy to continue to focus on the financial and securities investment businesses including securities trading, corporate finance, consumer finance and the credit card business and to expand our travel and finance related business. We will continue to introduce reputable strategic partners to create opportunities to enlarge the credit card customer base, enhance the Group's business connections, and build on our brand name and international recognition and to acquire more travel service companies and airline companies with an aim to build globally branded, China focused international credit card and travel services for China banks, and PRC state owned and global travel companies.

The Group maintained a very strong cash position throughout the period and had a cash and bank balance of over HK\$115.5 million as at September 30, 2004. This advantage, together with the continued growth of our core business and investment strategies, makes us highly competitive in the current recovery of the local economy. In view that the worst of Hong Kong's economic downturns appears to be over and we are now seeing a recovery and business environment improvement, we are realistically optimistic about our future. Our business foundation is strong and our strategic partnerships are solid. By effective utilisation of our capital, we intend to expand and extend our business in the years to come.

### Contingent liabilities and capital commitment

(a)	<b>9.30.2004</b> <i>HK\$'000</i>	<b>3.31.2004</b> <i>HK\$'000</i>
Guarantees given to a financial institution in respect of banking facilities granted to subsidiaries	36,384	3,884

The extent of the facilities utilised as at September 30, 2004 by the subsidiaries amounted to HK\$34,548,000 (3.31.2004: HK\$2,768,000).

- (b) Actions were brought by Pricerite Stores Limited and Pricerite Group Limited (together referred to as "Pricerite") respectively, against a subsidiary of the Company, in respect of the alleged breach of agreement, for damages which are not quantified. In the opinion of the directors, it is not practicable at this stage to determine with certainty the outcome of the litigation.
- (c) At September 30, 2004, Clear Prospect Limited, a subsidiary of the Company, may have the capital commitment of HK\$14 million in respect of investment in RNA pursuant to its conditional debt restructuring.

### OTHER INFORMATION

#### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At September 30, 2004, the interests and short positions of the directors and the chief executive of the Company and/or any of their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

**Long positions***(a) Ordinary shares of HK\$0.01 each of the Company*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the issued share capital of the Company %</b>
Chan Heng Fai	Beneficial owner	113,746,225	7.00
Chan Yoke Keow	Beneficial owner	31,437,275	1.93
	Held by trust ( <i>Note 1</i> )	59,733,600	3.67
	Held by controlled corporations ( <i>Note 2</i> )	573,558,425	35.28
Chan Sook Jin, Mary-ann	Beneficial owner	25,650	–
	Held by spouse ( <i>Note 3</i> )	3,416,000	0.21
Fong Kwok Jen	Beneficial owner	3,828,000	0.24
Chan Tong Wan	Beneficial owner	5,252,150	0.32
Wong Dor Luk, Peter	Beneficial owner	280,000	0.02
Da Roza Joao Paulo	Beneficial owner	4,800	–
	Held by spouse ( <i>Note 4</i> )	460,000	0.03
		<hr/>	
		791,742,125	48.70
		<hr/>	<hr/>

*(b) Share options*

<b>Name of director</b>	<b>Capacity</b>	<b>Number of options held</b>	<b>Number of underlying shares</b>
Chan Heng Fai	Beneficial owner	22,060,000	22,060,000
Chan Yoke Keow	Beneficial owner	23,131,739	23,131,739
Chan Sook Jin, Mary-ann	Beneficial owner	25,000,000	25,000,000
		<hr/>	<hr/>
		70,191,739	70,191,739
		<hr/>	<hr/>

(c) Warrants

Name of director	Capacity	Number of	
		warrants held	underlying shares
Chan Heng Fai	Beneficial owner	727,622	727,622
Chan Yoke Keow	Beneficial owner	1,170,200	1,170,200
	Held by trust (Note 1)	5,973,360	5,973,360
	Held by controlled corporation (Note 2)	6,776,369	6,776,369
Chan Sook Jin, Mary-ann	Beneficial owner	2,565	2,565
	Held by spouse (Note 3)	341,600	341,600
Fong Kwok Jen	Beneficial owner	382,800	382,800
Chan Tong Wan	Beneficial owner	514,775	514,775
Wong Dor Luk	Beneficial owner	28,000	28,000
Da Roza Joao Paulo	Beneficial owner	480	480
	Held by spouse (Note 4)	46,000	46,000

Notes:

1. These shares/warrants are owned by a discretionary trust, Bermuda Trust (Cook Island) Limited. Mrs. Chan Yoke Keow ("Mrs. Chan") is one of the discretionary objects.
2. These shares/warrants are owned by BPR Holdings (BC) Inc., BPR Holdings (Far East) Limited, First Pacific International Limited and Prime Star Group Co. Ltd., in which Mrs. Chan has beneficial interests.
3. These shares/warrants are owned by Mr. Wooldridge Mark Dean, the spouse of Ms. Chan Sook Jin, Mary-ann.
4. These shares/warrants are owned by Ms. Josephina B. Ozorio, the spouse of Mr. Da Roza Joao Paulo.

(d) Shares in a subsidiary

At September 30, 2004, the following directors held interests in the shares of PeopleMed.com, Inc., a subsidiary of the Company as follows:

	Number of ordinary shares held	
	Personal interests	Family interests
Chan Heng Fai	100,000	–
Chan Yoke Keow	–	100,000
		(Note)
Chan Tong Wan	25,000	–
Fong Kwok Jen	25,000	–

Note: These shares are owned by Mr. Chan Heng Fai, the spouse of Mrs. Chan.

(e) Options

The following table discloses details of the Company's share options in issue during the period:

Name of director	Date granted	Exercisable period	Exercise price per share HK\$	Number of share options At 4.1.2004 and 9.30.2004
<b>Category 1: Directors</b>				
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	<u>25,000,000</u>
Total directors				<u>70,191,739</u>
<b>Category 2: Employees</b>				
Total employees	5.15.1997	5.15.1997 – 5.14.2007	0.4512	<u>1,300,000</u>
Total all categories				<u>71,491,739</u>

No share option was granted or exercised during the period.

In addition, the following outstanding options to subscribe for shares in the capital of certain subsidiaries of the Company, granted to certain directors of the Company under the share option schemes of these subsidiaries are as follows:

- (i) eBanker USA.Com, Inc. (“eBanker”)

The following table presents details of share options in issue during the period.

	<b>Exercise price per share US\$</b>	<b>Number of share options at 9.30.2004</b>
<b>Category 1: Directors</b>		
Chan Heng Fai	3.00	500,000
Fong Kwok Jen	3.00	<u>100,000</u>
Total held by directors		<u><u>600,000</u></u>
<b>Category 2: Employees</b>		
Total held by employees	3.00	<u>20,000</u>
Total		<u><u>620,000</u></u>

There was no movement in the share options granted by eBanker during the period.

- (ii) Global Med Technologies, Inc. (“Global Med”)

The following table presents the activity for options for the six months ended and as of September 30, 2004:

	<b>Exercise price per share US\$</b>	<b>Number of share options at 9.30.2004</b>
<b>Category 1: Directors</b>		
Chan Heng Fai	0.78	250,000
Chan Tong Wan	0.66	50,000
Fong Kwok Jen	0.78	<u>150,000</u>
Total held by directors		<u><u>450,000</u></u>
<b>Category 2: Employees</b>		
Total held by employees	0.75	<u>8,564,442</u>
Total		<u><u>9,014,442</u></u>

	<b>Options</b>	<b>Price*</b> US\$
As at April 1, 2004	8,754,942	0.76
Granted	300,000	0.55
Forfeited/cancelled	(40,500)	0.73
	<hr/>	<hr/>
As at September 30, 2004	<u>9,014,442</u>	<u>0.75</u>

There was no movement in options granted to the directors during the period.

Other than as disclosed above, at no time during the period was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### **SUBSTANTIAL SHAREHOLDERS**

As at September 30, 2004, the following persons (other than the Directors of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

<b>Name</b>	<b>Number of shares/ underlying shares held</b>	<b>%</b>
Prime Star Group Co., Ltd.	351,260,000	21.60
First Pacific International Limited	108,631,587	6.68
Novena Furnishing Centre Pte Ltd	84,766,000	5.21
Novena Holdings Limited ( <i>Note</i> )	84,766,000	5.21

*Note:* Novena Holdings Limited is deemed to be interested in 84,766,000 shares by virtue of its corporate interests in Novena Furnishing Centre Pte Ltd.

Save as disclosed above, as at September 30, 2004, no person other than the directors of the Company whose interests are set out in the section headed “Directors’ and chief executives’ interests in shares and underlying shares” above, had registered an interest of 5% or more in the issued share capital of the Company that was required to be recorded in the register of interest pursuant to Section 336 of the SFO.

## **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial statements. The Audit Committee comprises three Independent Non-Executive Directors, namely Mr. Lee Ka Leung, Daniel, Mr. Wong Dor Luk, Peter and Mr. Joao Paulo Da Roza.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **CODE OF BEST PRACTICE**

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code of the Best Practice as set out in the Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended September 30, 2004 except that non-executive directors are not appointed for a specific term but are subject to a retirement by rotation and re-election at annual general meetings in accordance with the articles of association of the Company.

By order of the Board  
**Chan Tong Wan**  
*Managing Director*

Hong Kong, December 29, 2004

Commercial Banking



Consumer Finance



Corporate Finance



Travel & Card Services



Merchant Banking

