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

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

INTERIM REPORT 2005-2006中期報告

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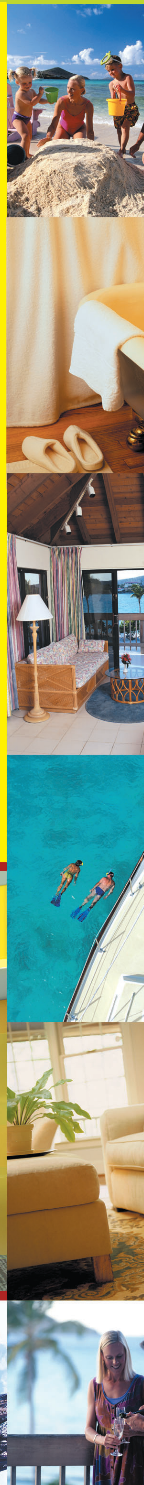

The Board of Directors (the "Board") of China Credit Holdings Limited, (the "Company") announce the unaudited consolidated results of the Company and its subsidiaries (the "Group"), which have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

		Six months ended	
	NOTES	**9.30.2005** *HK$'000* **(unaudited)**	**9.30.2004** *HK$'000* **(unaudited)** **(restated)**
Turnover	*3*	1,113,167	176,677
Cost of sales		(1,043,813)	(159,715)
Gross profit		69,354	16,962
Other operating income		8,536	5,673
Administrative expenses		(82,185)	(50,217)
Net unrealised loss on other investments		–	(15,396)
Fair value gains on financial assets at fair value through profit or loss		599	–
Loss from operations	*4*	(3,696)	(42,978)
Finance costs		(6,197)	(3,956)
Share of loss of an associate		(5,483)	–
Provision for amount due from an associate		(1,428)	(2,069)
Gain on deemed disposal of a subsidiary		2,748	6,564
Gain on disposal of an associate		–	13,212
Loss before taxation		(14,056)	(29,227)
Taxation	*5*	–	–
Net loss for the period		(14,056)	(29,227)
Attributable to:			
Equity holders of the Company		(12,412)	(28,403)
Minority interests		(1,644)	(824)
Net loss for the period		(14,056)	(29,227)
Loss per share for loss attributable to the equity holders of the Company during the period	*7*		
Basic		(HK0.76 cents)	(HK1.83 cents)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT SEPTEMBER 30, 2005

	NOTES	**9.30.2005** *HK$'000* **(unaudited)**	**3.31.2005** *HK$'000* **(restated)**
NON-CURRENT ASSETS			
Investment properties		21,119	21,119
Property, plant and equipment	*8*	64,998	65,040
Goodwill		14,856	14,276
Interests in associates		24,891	30,279
Intangible assets		39	117
Available-for-sale investments		16,157	–
Investments in securities		–	15,515
Pledged bank deposits		4,121	4,121
		146,181	150,467
CURRENT ASSETS			
Inventories		593	394
Properties held for sale		79	79
Trade and other receivables	*9*	86,997	100,931
Loans receivable – due within one year		614	614
Financial assets at fair value through profit or loss		56,923	–
Investments in securities		–	236,928
Pledged bank deposits		20,884	63,655
Bank balances and cash		249,589	69,616
		415,679	472,217
CURRENT LIABILITIES			
Trade and other payables	*10*	68,206	60,475
Borrowings		33,975	85,491
Obligations under finance leases		521	589
Taxation payable		135	86
Provision		–	6,739
		102,837	153,380
NET CURRENT ASSETS		312,842	318,837
TOTAL ASSETS LESS CURRENT LIABILITIES		459,023	469,304

	NOTES	9.30.2005 HK$'000 (unaudited)	3.31.2005 HK$'000 (restated)
NON-CURRENT LIABILITIES			
Borrowings		37,264	39,106
Obligations under finance leases		693	912
Convertible debentures		48,056	47,567
Amounts due to associates		2,040	3,240
Deferred taxation		1,510	1,510
		89,563	92,335
NET ASSETS		369,460	376,969
EQUITY			
Share capital	*11*	16,265	16,261
Reserves		344,825	350,708
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		361,090	366,969
Minority interests		8,370	10,000
		369,460	376,969

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

	Attributable to equity holders of the Company										
	Share capital	Share premium	Goodwill reserve	Capital reserve	Investment property revaluation reserve	Translation reserve	Employee share-based compensation reserve	Deficit	Total	Minority Interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At March 31, 2005, as originally stated	16,261	704,522	4,159	–	973	16,985	–	(375,931)	366,969	10,000	376,969
Prior year adjustments											
HKFRS 2	–	–	–	–	–	–	3,941	(3,941)	–	–	–
Negative goodwill written off (HKFRS 3)	–	–	(4,159)	–	–	–	–	4,159	–	–	–
Transfer of IP revaluation reserve to Deficit (HKFRS 40)	–	–	–	–	(973)	–	–	973	–	–	–
At April 1, 2005, as restated	16,261	704,522	–	–	–	16,985	3,941	(374,740)	366,969	10,000	376,969
Issue of new shares	4	37	–	–	–	–	–	–	41	–	41
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	14	14
Exchange differences	–	–	–	–	–	679	–	–	679	–	679
Net loss for the period	–	–	–	–	–	–	5,813	(12,412)	(6,599)	(1,644)	(8,243)
At September 30, 2005	16,265	704,559	–	–	–	17,664	9,754	(387,152)	361,090	8,370	369,460
At March 31, 2004	379,529	327,759	(2,556)	(293)	–	12,531	–	(363,011)	353,959	11,799	365,758
Capital reduction	(364,348)	364,348	–	–	–	–	–	–	–	–	–
Exercise of warrants											
Subscription rights	539	12,938	–	–	–	–	–	–	13,477	–	13,477
Issue of bonus shares	539	(539)	–	–	–	–	–	–	–	–	–
Net loss for the period	–	–	–	–	–	–	–	(28,403)	(28,403)	(824)	(29,227)
At September 30, 2004	16,259	704,506	(2,556)	(293)	–	12,531	–	(391,414)	339,033	10,975	350,008

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

	Six months ended	
	9.30.2005	**9.30.2004**
	HK$'000	*HK$'000*
	(unaudited)	**(unaudited)**
NET CASH FROM (USED IN) OPERATING ACTIVITIES	205,523	(52,460)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	33,762	(2,966)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(59,312)	26,655
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	179,973	(28,771)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	69,616	144,311
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	249,589	115,540
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	249,589	115,540

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2005

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the Hong Kong Accounting Standard 34 (HKAS 34) 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 Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values or revalued amounts, as appropriate.

The accounting policies used in the condensed financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended March 31, 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new/revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after January 1, 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

Business combinations

Goodwill

With respect to goodwill previously capitalised on the balance sheet, the Group has discontinued amortising such goodwill from April 1, 2005 onwards and eliminated the accumulated amortisation at March 31, 2005 against the original gross amount of goodwill in accordance with HKFRS 3. Goodwill is now subject to test for impairment at least annually/in the financial year in which the acquisition takes place/when there is indication for impairment. Goodwill arising on acquisitions after April 1, 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current period. Comparative figures for 2004 have not been restated as HKFRS 3 stipulate a prospective change to accounting policy.

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognized immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisitions prior to January 1, 2001 was held in reserves, and negative goodwill arising on acquisitions after January 1, 2001 was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised all negative goodwill at April 1, 2005 of HK$4,159,000, with a corresponding increase to retained profits.

Share-based payments

In the current period, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of directors' and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after April 1, 2005. In relation to share options granted before April 1, 2005, the Group has not applied HKFRS 2 to share options granted on or before November 7, 2002 and share options that were granted after November 7, 2002 and had vested before April 1, 2005 in accordance with the relevant transitional provisions of HKFRS 2. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after November 7, 2002 and had not yet vested on April 1, 2005.

Financial instruments

In the current period, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after April 1, 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Convertible loan notes

HKAS 32 requires an issuer of a compound financial instrument (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The adoption of HKAS 32 did not have significant impact to the Group in relation to convertible loan notes issued by a subsidiary of the Company.

Debt and equity securities previously accounted for under the benchmark treatment of SSAP 24
By March 31, 2005, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 (SSAP 24). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in the profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any). From April 1, 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". The classification depends on the purpose for which the assets are acquired. "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method.

Owner-occupied leasehold interest in land
In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and any impairment losses. In the current period, the Group has applied HKAS 17 "Leases". Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. Alternatively, where the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment. In the option of the directors, as the land and building components of the Group's leasehold property for self-use cannot be separated, thus such leases are accounted for as land and buildings and measured using the cost model under HKAS 16.

Investment properties
In the current period, the Group has, for the first time, applied HKAS 40 "Investment Property". The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from April 1, 2005 onwards. The amount of HK$973,000 held in investment property revaluation reserve at April 1, 2005 has been transferred to the Group's retained profits.

The adoption of revised HK(SIC) Int-21 has resulted in a change in the accounting policy relating to the deferred taxation of the Group's investment property. In accordance with the provision of HK(SIC) Int-21, the deferred tax liability arising from the revaluation of investment properties is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset is expected to be recovered through sale. The adoption of revised HK(SIC) Int-21 did not have significant impact to the condensed financial statements.

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into six operating divisions – travel related operations, 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.

	Turnover		**Segment results**	
	Six months ended		**Six months ended**	
	9.30.2005	**9.30.2004**	**9.30.2005**	**9.30.2004**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**
By business segment:				
Travel related operations	204,480	–	(2,365)	–
Credit card operations	4,523	9,170	1,756	(1,351)
Securities trading and investments	859,417	143,853	23,415	(17,151)
Treasury investment	1,562	868	266	868
Property investment	915	884	(658)	884
Health care	42,270	21,902	3,456	(5,100)
	1,113,167	176,677	25,870	(21,850)
Unallocated corporate revenue			1,680	2,178
Unallocated corporate expenses			(31,246)	(23,306)
Loss from operations			(3,696)	(42,978)

4. LOSS FROM OPERATIONS

	Six months ended	
	9.30.2005	**9.30.2004**
	HK$'000	*HK$'000*
	(unaudited)	**(unaudited)**
Loss from operations has been arrived at after charging (crediting):		
Depreciation	2,330	1,305
Amortisation of goodwill included in administrative expenses	–	2,152
Amortisation and write off of intangible assets included in administrative expenses	78	153
Dividend income	(4,509)	(592)

5. 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.

6. DIVIDEND

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

7. LOSS PER SHARE

The calculation of basic loss per share is based on net loss attributable to the equity holders of the Company for the period of HK$12,412,000 (six months ended September 30, 2004: HK$28,403,000) and on the weighted average number of 1,626,303,062 shares (six months ended September 30, 2004: 1,548,169,185 shares).

The computation of diluted loss per share for the period ended September 30, 2005 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, 2005 and the conversion of the Group's outstanding convertible debentures would result in a decrease in net loss per share for the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired of property, plant and equipment at the cost of HK$2,288,000 (six months ended September 30, 2004: HK$51,945,000).

9. TRADE AND OTHER RECEIVABLES

The average credit term granted by the Group to its trade customers are as follows:

Health care business	45 days
Travel related operations	30 days
Credit card holders for retails sales	up to 56 days interest free repayment period

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

	9.30.2005 *HK$'000* **(unaudited)**	**3.31.2005** *HK$'000* **(audited)**
0 – 60 days	51,216	52,616
61 – 90 days	1,298	1,008
Over 90 days	3,364	1,011
	55,878	54,635
Deposits, prepayments and other receivables	31,119	46,296
	86,997	100,931

10. TRADE AND OTHER PAYABLES

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

	9.30.2005 *HK$'000* **(unaudited)**	**3.31.2005** *HK$'000* **(audited)**
0 – 60 days	36,398	17,397
61 – 90 days	937	1,026
Over 90 days	1,735	1,096
	39,070	19,519
Accruals and other payables	29,136	40,956
	68,206	60,475

11. SHARE CAPITAL

	Number of shares	**Amount** *HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each	1,000,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at April 1, 2005	1,626,118,672	16,261
Exercise of warrants subscription rights	382,269	4
At September 30, 2005, shares of HK$0.01 each	1,626,500,941	16,265

Notes:

(1) 2005 Warrants

At the extraordinary general meeting of the Company held on April 19, 2004, the shareholders of the Company approved a bonus issue of new warrants ("2005 Warrants"), to the shareholders of the Company whose names appeared on April 16, 2004 on the basis of one 2005 Warrant for every ten shares held by such shareholders. Pursuant to which 151,811,795 units of 2005 Warrants were issued to the shareholders of the Company at an initial subscription price of HK$0.20 per share of HK$0.01 each of the Company as a result of the bonus issue of new warrants. The warrants lapsed on May 31, 2005.

During the period, registered holders of 2005 Warrants exercised their rights to subscribe for 57,276 ordinary shares of the Company at HK$0.20 per share.

(2) 2009 Warrants

Pursuant to a written resolution of the board of directors on August 16, 2004, the Company approved a bonus issue of new warrants ("2009 Warrants") to the shareholders of the Company whose names appeared on the register of members on November 5, 2004 on the basis of one 2009 Warrant for every ten shares held by such shareholders. Pursuant to which 162,593,106 units of 2009 Warrants were issued to the shareholders of the Company at an initial subscription price of HK$0.09 per share of HK$0.01 each of the Company as a result of the bonus issue of new warrants. The 2009 Warrants will expire on September 30, 2009.

During the period, registered holders of 2009 Warrants exercised their rights to subscribe 318,404 ordinary shares of the Company at HK$0.09 per share.

At the balance sheet date, the Company had outstanding 162,091,791 2009 Warrants exercisable on or before September 30, 2009. Exercise in full of such warrants would result in the issue of 162,091,791 additional ordinary shares of HK$0.01 each.

(3) 2006 Warrants

Pursuant to a written resolution of the board of directors on June 3, 2005, the Company approved a bonus issue of new warrants ("2006 Warrants") to the shareholders of the Company whose names appeared on the register of members on July 15, 2005 on the basis of one 2006 Warrant for every ten shares held by such shareholders. Pursuant to which 162,649,225 units of 2006 Warrants were issued to the shareholders of the Company at an initial subscription price of HK$0.16 per share of HK$0.01 each of the Company as a result of the bonus issue of new warrants. The 2006 Warrants will expire on July 31, 2006.

During the period, registered holders of 2006 Warrants exercised their rights to subscribe 6,589 ordinary shares of the Company at HK$0.16 per share.

At the balance sheet date, the Company had outstanding 162,642,636 2006 Warrants exercisable on or before July 31, 2006. Exercise in full of such warrants would result in the issue of 162,642,636 additional ordinary shares of HK$0.01 each.

12. PLEDGE OF ASSETS

At September 30, 2005, the Group pledged bank deposits of HK$4,121,000 (March 31, 2005: HK$4,121,000) 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$39,601,000 (March 31, 2005: HK$41,446,000) are secured on the investment properties and land and buildings of the Group with an aggregate carrying value of HK$69,185,000 (March 31, 2005: HK$69,645,000).

13. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group has disposed its entire interest in a subsidiary, Global Med Technologies, Inc. for US$12.3 million. The transaction was completed on December 16, 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the six months ended September 30, 2005 was HK$1,113.2 million, compared to turnover of HK$176.7 million for the same period in 2004, representing a 530% increase. Loss attributable to equity holders of the Company for the six months ended September 30, 2005 was HK$12.4 million compared to HK$28.4 million for the same period in 2004. The loss per share for the six months ended September 30, 2005 was HK0.76 cents compared to HK1.83 cents for the same period in 2004.

Financial and Securities Investment Division

Total investment income was HK$859.4 million, 497% higher than the HK$143.9 million reported for the same period last year. The division contributed an operating profit of HK$23.4 million as compared to a loss of HK$17.2 million for the same period in 2004.

Travel Agency Division

During the period, the travel business recorded a turnover and operating loss of approximately HK$204.5 million (2004: Nil) and HK$2.4 million (2004: Nil).

Credit Card Division

During the period, positive external economic factors facilitated the steady recovery of the economy. Employment and consumer spending resumed growth as the business and investment environment continued to improve. The Group recovered bad debts of HK$6.9 million and the Credit Card business recorded a turnover of approximately HK$4.5 million, representing a decrease of 51% from the same period last year.

Health Care

During the period, the health care business recorded a turnover of approximately HK$42.3 million, compared to turnover of HK$21.9 million for the same period in 2004, representing a 93% increase. The operating profit of approximately HK$3.5 million compared to loss of HK$5.1 million for the same period in 2004. In December 2005, the Group has disposed its entire interest in a subsidiary, Global Med Technologies, Inc. and ceased the operation of health care business.

Liquidity and Capital Resources

During the period, the registered holders of 382,269 warrants exercised their rights to subscribe for ordinary shares. At the balance sheet date, the Company had outstanding 324,734,427 warrants. Exercise in full of such warrants would result in the issue of 324,734,427 additional shares of HK$0.01 each.

As at September 30, 2005, the Group's current ratio was 4.0 (3.31.2005: 3.1) and had net cash of HK$129.1 million when compare with the gearing ratio of 16.7% in 2004, defined as the ratio of total borrowings less cash balances to total assets.

Material acquisitions, disposals and significant investments

In December 2005, the Group has disposed its entire interest in a subsidiary, Global Med Technologies, Inc. for US$12.3 million.

Foreign currencies and treasury policy
Substantially all the revenues, expenses, assets and liabilities are denominated in Hong Kong dollars, U.S. dollars, Canadian dollars and Singapore dollars. Due to the currency peg of the Hong Kong dollars to the U.S. dollars, the exchange rate between these two 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.

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 200 employees employed by the Group. Share options may also be granted to eligible employees and persons of the Group.

Prospects
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 continue to expand our travel, hospitality and aviation related businesses. 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 "China Xpress" and international recognition and to acquire more travel service companies and airline companies with an aim to build globally branded, PRC focused international credit card and travel services for PRC banks, and PRC state-owned and global travel companies.

The year ahead will be an optimistic year for credit card businesses. With the growth in consumer spending and borrowing together with the expected increase in job and investment opportunities in the market, the demand for consumer loans will continue to increase. In light of the drop in the unemployment rate of our market segment and the declining trend of personal bankruptcies, the Group will undertake a more aggressive marketing strategy to grow its principal business and launch a series of new loyalty card products participating in the Xpress Miles™ rewards program, such as "Bon Appetit Club". In addition, the Group has launched the new "ZOOM" MasterCard program and is active in soliciting potential partners for co-branded and affinity MasterCard programs to capture new customer segments and widen its distribution network.

The Group's business direction includes diversification of country risk through the expansion and development of its existing businesses in corporate finance, consumer finance, credit cards, and travel related activity outside of Hong Kong with a strong focus in Singapore and the PRC. The goal of the Group is to fully leverage its various brandings, to consolidate internal and external resources and to augment reform efforts in order to enhance its competitiveness in the Singapore, PRC and international markets, so as to become an international and modernized travel service group.

The Group maintained a very strong cash position throughout the period and had a cash balance of over HK$249 million as at September 30, 2005. This advantage, together with the continued growth of our core business and prudent investment strategies, makes us highly competitive. We are optimistic about our future. Through effective utilisation of our capital, we will expand and extend our business in the years to come.

In the coming year, the Group intends to further create greater synergies among the strategic partners, such as Futuristic Group Ltd, Novena Holdings Limited and Skywest Limited, in order to maximise its competitive advantages in large scale operations and services.

Contingent liabilities and capital commitment

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

(a) Guarantees of HK$10,095,000 (3.31.2005: HK$10,053,000) given to a financial institution in respect of banking facilities granted to a supplier of the Group.

(b) Actions were brought by Pricerite Stores Limited and Pricerite Group Limited 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.

OTHER INFORMATION

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

At September 30, 2005, 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

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company %
Chan Heng Fai	Beneficial owner	129,626,225	7.97
Chan Yoke Keow	Beneficial owner	31,437,275	1.93
	Held by trust *(Note 1)*	59,733,600	3.67
	Held by controlled corporations *(Note 2)*	573,558,425	35.26
		664,729,300	40.87
Chan Sook Jin, Mary-ann	Beneficial owner	25,650	0.00
	Held by spouse *(Note 3)*	3,416,000	0.21
		3,441,650	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	0.00
	Held by spouse *(Note 4)*	460,000	0.03
		464,800	0.03
		807,622,125	49.65

(b) *Share options*

Name of director	Capacity	Number of options held	Number of underlying shares
Chan Heng Fai	Beneficial owner	162,000,000	162,000,000
Chan Yoke Keow	Beneficial owner	50,000,000	50,000,000
Chan Sook Jin, Mary-ann	Beneficial owner	5,000,000	5,000,000
Fong Kwok Jen	Beneficial owner	8,000,000	8,000,000
Chan Tong Wan	Beneficial owner	15,000,000	15,000,000
Lee Ka Leung, Daniel	Beneficial owner	3,000,000	3,000,000
Wong Dor Luk, Peter	Beneficial owner	3,000,000	3,000,000
Da Roza Joao Paulo	Beneficial owner	2,000,000	2,000,000
		248,000,000	248,000,000

(c) *Warrants*

Name of director	Capacity	Number of warrants held	Number of underlying shares
Chan Heng Fai	Beneficial owner	11,466,444	11,466,444
Chan Yoke Keow	Beneficial owner	6,366,454	6,366,454
	Held by trust *(Note 1)*	11,946,720	11,946,720
	Held by controlled corporations *(Note 2)*	113,692,302	113,692,302
		132,005,476	132,005,476
Chan Sook Jin, Mary-ann	Beneficial owner	5,128	5,128
	Held by spouse *(Note 3)*	683,200	683,200
		688,328	688,328
Fong Kwok Jen	Beneficial owner	765,600	765,600
Chan Tong Wan	Beneficial owner	1,050,428	1,050,428
Wong Dor Luk, Peter	Beneficial owner	56,000	56,000
Da Roza Joao Paulo	Beneficial owner	960	960
	Held by spouse *(Note 4)*	92,000	92,000
		92,960	92,960
		146,125,236	146,125,236

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 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 subsidiaries

At September 30, 2005, the following directors held interests in the shares of certain subsidiaries of the Company as follows:

Global Med Technologies, Inc. ("Global Med")

	Number of ordinary shares held	
	Personal interests	**Family interests**
Chan Heng Fai	29,715	–
Chan Yoke Keow *(Note)*	–	29,715
Fong Kwok Jen	22,285	–

PeopleMed.com.Inc.

Chan Heng Fai	100,000	–
Chan Yoke Keow *(Note)*	–	100,000
Chan Tong Wan	25,000	–
Fong Kwok Jen	25,000	–

Note: These shares are owned by Mr. Chan Heng Fai ("Mr. Chan"), 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$*	Outstanding at 4.1.2005 *HK$*	Granted during the period	Outstanding at 9.30.2005
Category 1: Directors						
Mr. Chan	11.1.2004	11.1.2004 – 5.8.2013	0.16	15,000,000	–	15,000,000
	11.15.2004	11.20.2004 – 5.8.2013	0.1616	147,000,000	–	147,000,000
Mrs. Chan	11.1.2004	11.1.2004 – 5.8.2013	0.16	15,000,000	–	15,000,000
	11.15.2004	11.20.2004 – 5.8.2013	0.1616	35,000,000	–	35,000,000
Chan Tong Wan	11.15.2004	11.20.2004 – 5.8.2013	0.1616	15,000,000	–	15,000,000
Chan Sook Jin, Mary-ann	11.15.2004	11.20.2004 – 5.8.2013	0.1616	5,000,000	–	5,000,000
Fong Kwok Jen	11.15.2004	11.20.2004 – 5.8.2013	0.1616	8,000,000	–	8,000,000
Lee Ka Leung, Daniel	11.15.2004	11.20.2004 – 5.8.2013	0.1616	3,000,000	–	3,000,000
Wong Dor Luk, Peter	11.15.2004	11.20.2004 – 5.8.2013	0.1616	3,000,000	–	3,000,000
Da Roza Joao Paulo	5.27.2005	5.28.2005 – 5.8.2013	0.15	–	2,000,000	2,000,000
Total for directors				246,000,000	2,000,000	248,000,000
Category 2: Employees						
Total for employees	11.15.2004	11.20.2004 – 5.8.2013	0.1616	35,500,000	–	35,500,000
Total for all categories				281,500,000	2,000,000	283,500,000

The closing price of the Company's shares immediately before May 27, 2005, the date on which the share options were granted, were HK$0.15.

At September 30, 2005, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 283,500,000, representing 17.4% of the share of the Company in issue at that date.

In addition, details 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 were as follows:

(i) eBanker USA.Com, Inc. ("eBanker")

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

	Exercise price per share *US$*	**Number of share options at 9.30.2005**
Category 1: Directors		
Chan Heng Fai	3.00	500,000
Fong Kwok Jen	3.00	100,000
Total held by directors		600,000
Category 2: Employees		
Total held by employees	3.00	20,000
Total		620,000

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

(ii) Global Med

The following table presents the activity for options for the six months ended and as of September 30, 2005:

	Exercise price per share *US$*	**Number of share options at 9.30.2005**
Category 1: Directors		
Chan Heng Fai	0.75	150,000
Chan Tong Wan	0.66	50,000
Fong Kwok Jen	0.75	75,000
Total held by directors		275,000
Category 2: Employees		
Total held by employees	0.69	7,510,500
Total		7,785,500

	Options	Price*
		US$
As at April 1, 2005	9,099,442	0.78
Granted	–	–
Forfeited/cancelled	(59,500)	2.01
As at September 30, 2005	9,039,942	0.77

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, 2005, 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:

Name	Number of shares/ underlying shares held	%
Prime Star Group Co., Ltd.	563,801,207	34.7
First Pacific International Limited	123,449,520	7.6
Novena Furnishing Centre Pte Ltd.	92,472,000	5.7
Novena Holdings Limited *(Note)*	92,472,000	5.7

Note: Novena Holdings Limited is deemed to be interested in 92,472,000 shares/underlying shares by virtue of its corporate interests in Novena Furnishing Centre Pte Ltd.

Save as disclosed above, as at September 30, 2005, 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.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of the directors, all directors have complied with the required standards set out in the Model Code throughout the six months ended September 30, 2005.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company has complied with the code provisions listed in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended September 30, 2005, with the exception that under the existing articles of association of the Company, the chairman of the board and the managing director of the Company are not subject to retirement by rotation. This constitutes a deviation from the Code provision A.4.2. To comply with the Code provision, relevant amendments to the existing articles of association of the Company will be proposed at the extraordinary general meeting/next annual general meeting.

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.

REMUNERATION COMMITTEE

To comply with the Code, a remuneration committee was established on September 30, 2005 with specific written terms of reference which deal clearly with its authority and duties. The members of the remuneration committee comprises Mr. Joao Paulo Da Roza, Mr. Wong Dor Luk, Peter, Mr. Lee Ka Leung, Daniel, Mr. Chan Tong Wan and Ms. Chan Yoke Keow. The majority of the remuneration committee are independent non-executive directors.

By order of the Board
Chan Tong Wan
Managing Director

Hong Kong, December 23, 2005

ZOOM 萬事達卡

永久豁免：

現金透支手續費、逾期收費、
結餘轉戶手續費、超逾信用額
手續費及年費。

息慳錢：

開戶首90日$0利息$0收費*，
全無利息及收費開支。

超低2.8% 最低還款額

申請熱線：2583 3633 www.olcreditcard.com

*只適用於開戶首90日內沒有逾期還款或超逾信用額記錄之客戶。
以上各項優惠須受有關條款及細則所約束，請參閱有關宣傳單張。

Online Credit Card Limited

中國信貸集團有限公司
香港交易所
上市編號185