



HENG FUNG HOLDINGS LIMITED  
恒鋒集團有限公司



## INTERIM RESULTS

The Board of Directors (the “Directors”) of 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, for the six months ended September 30, 2002 together with the comparative figures for the corresponding period in 2001 as follows:–

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002

	NOTES	Six months ended	
		9.30.2002 HK\$'000 (Unaudited)	9.30.2001 HK\$'000 (Unaudited)
Turnover	2	72,409	35,475
Cost of sales		<u>(43,671)</u>	<u>(9,164)</u>
Gross profit		28,738	26,311
Other revenue		1,026	1,744
Distribution costs		(400)	(1,059)
Administrative expenses		(48,521)	(29,865)
Other operating expenses		(8,503)	(125)
(Recognition of) reversal of impairment loss in respect of investments in securities		(19,388)	9,399
Provision for guaranteed liabilities		<u>(5,129)</u>	<u>–</u>
(Loss) profit from operations	3	(52,177)	6,405
Finance costs		(4,634)	(4,287)
Share of loss of an associate		(2,302)	–
Gain on disposal/deemed disposal of subsidiaries and associate		37,798	14,937
Impairment loss recognised in respect of goodwill		<u>–</u>	<u>(28,898)</u>
Loss before taxation		(21,315)	(11,843)
Taxation	4	<u>474</u>	<u>89</u>
Net loss before minority interests		(20,841)	(11,754)
Minority interests		<u>12,525</u>	<u>–</u>
Net loss for the period		<u>(8,316)</u>	<u>(11,754)</u>
Loss per share – basic	5	<u>(0.63 cents)</u>	<u>(0.93 cents)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT SEPTEMBER 30, 2002**

	<i>NOTES</i>	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>3.31.2002</b> <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current assets</b>			
Investment properties	6	10,833	25,748
Property, plant and equipment	6	14,949	70,001
Interests in associate		34,709	–
Goodwill		24,235	26,458
Intangible assets		4,999	6,293
Investments in securities		11,227	7,587
Loans receivable – due after one year		2,102	632
Pledged bank deposits		3,900	4,216
		<hr/>	<hr/>
		106,954	140,935
		<hr/>	<hr/>
<b>Current assets</b>			
Inventories		406	420
Properties held for sale		79	79
Trade and other receivables	7	105,430	111,350
Amounts due from associates		612	13
Loans receivable – due within one year		1,964	1,776
Investments in securities		11,709	46,715
Pledged bank deposits		4,216	–
Tax recoverable		77	–
Bank balances and cash		137,586	71,632
		<hr/>	<hr/>
		262,079	231,985
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	8	44,144	77,198
Amount due to an associate		800	1,043
Borrowings	9	472	488
Obligations under finance leases		–	693
Taxation payable		–	58
		<hr/>	<hr/>
		45,416	79,480
		<hr/>	<hr/>
<b>Net current assets</b>		216,663	152,505
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		323,617	293,440
		<hr/>	<hr/>

	<i>NOTES</i>	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>3.31.2002</b> <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Borrowings	9	9,786	9,988
Convertible debentures		49,665	49,297
Obligations under finance leases		–	730
Amounts due to associates		1,681	1,679
Deferred taxation		1,014	1,014
<b>Total non-current liabilities</b>		<u>62,146</u>	<u>62,708</u>
<b>Minority interests</b>		<u>7,926</u>	<u>1,965</u>
<b>Net assets</b>		<u>253,545</u>	<u>228,767</u>
<b>Capital and reserves</b>			
Share capital	10	372,029	317,029
Reserves		(118,484)	(88,262)
		<u>253,545</u>	<u>228,767</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002**

	<b>Share capital</b> <i>HK\$'000</i>	<b>Share premium</b> <i>HK\$'000</i>	<b>Goodwill reserve</b> <i>HK\$'000</i>	<b>Capital reserve</b> <i>HK\$'000</i>	<b>Translation reserve</b> <i>HK\$'000</i>	<b>Deficit</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At April 1, 2001	317,029	366,509	(63,122)	1,479	12,132	(404,912)	229,115
Released on deemed disposal of a subsidiary	–	–	3,063	–	–	–	3,063
Impairment of goodwill recognised	–	–	28,898	–	–	–	28,898
Loss for the period	–	–	–	–	–	(11,754)	(11,754)
At September 30, 2001	317,029	366,509	(31,161)	1,479	12,132	(416,666)	249,322
Released on deemed disposal of a subsidiary	–	–	7,000	–	–	–	7,000
Exchange realignment	–	–	–	–	399	–	399
Loss for the period	–	–	–	–	–	(27,954)	(27,954)
At April 1, 2002	317,029	366,509	(24,161)	1,479	12,531	(444,620)	228,767
Released on disposal/ deemed disposal of a subsidiary	–	–	12,678	586	(170)	–	13,094
Issue of new shares	55,000	–	–	–	–	–	55,000
Bonus issue of new shares	–	(35,000)	–	–	–	–	(35,000)
Loss for the period	–	–	–	–	–	(8,316)	(8,316)
At September 30, 2002	<u>372,029</u>	<u>331,509</u>	<u>(11,483)</u>	<u>2,065</u>	<u>12,361</u>	<u>(452,936)</u>	<u>253,545</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002**

	<b>Six months ended</b>	
	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>9.30.2001</b> <i>HK\$'000</i> <b>(Unaudited)</b>
NET CASH USED IN OPERATING ACTIVITIES	(33,482)	(3,031)
NET CASH FROM INVESTING ACTIVITIES	69,798	1,071
NET CASH FROM FINANCING	29,638	17,799
INCREASE IN CASH AND CASH EQUIVALENTS	65,954	15,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	71,632	24,385
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>137,586</u>	<u>40,224</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balance	137,586	40,229
Bank overdrafts	–	(5)
	<u>137,586</u>	<u>40,224</u>

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2002**

**1. BASIS OF PREPARATION**

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

The presentation and accounting policies used in preparation of the condensed financial statements are consistent with those used in the Group’s annual financial statements for the year ended March 31, 2002 except as described below:

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statements of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

## 2. SEGMENT INFORMATION

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

	Turnover		Contribution to (loss) profit from operations	
	Six months ended		Six months ended	
	9.30.2002	9.30.2001	9.30.2002	9.30.2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
By business segments:				
Credit card operations	21,886	29,111	9,997	17,071
Securities trading and investments	22,106	1,737	(19,344)	1,801
Treasury investment				
– interest income	896	3,885	896	7,721
Retailing of fashion apparel and accessories	–	72	–	(368)
Property investment	951	670	951	550
Health Care	26,570	–	1,954	–
	<u>72,409</u>	<u>35,475</u>	<u>(5,546)</u>	<u>26,775</u>
Unallocated corporate revenue			1,026	–
Unallocated corporate expenses			(39,828)	(20,370)
Amortisation of goodwill			(2,700)	–
Provision for guaranteed liabilities			<u>(5,129)</u>	<u>–</u>
(Loss) profit from operations			<u>(52,177)</u>	<u>6,405</u>

Included in credit card operations for the period are credit card service income and credit card interest income of approximately HK\$7,063,000 (2001: HK\$2,479,000) and HK\$14,823,000 (2001: HK\$26,632,000) respectively.

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

	<b>Turnover</b>		<b>Contribution to (loss)</b>	
	<b>Six months ended</b>		<b>profit from operations</b>	
	<b>9.30.2002</b>	<b>9.30.2001</b>	<b>9.30.2002</b>	<b>9.30.2001</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 geographical segments:				
Hong Kong	24,097	35,065	(8,133)	26,523
North America	48,296	214	2,571	156
South East Asia	16	196	16	96
	<u>72,409</u>	<u>35,475</u>	<u>(5,546)</u>	<u>26,775</u>
Unallocated corporate revenue			1,026	–
Unallocated corporate expenses			(39,828)	(20,370)
Amortisation of goodwill			(2,700)	–
Provision for guaranteed liabilities			<u>(5,129)</u>	<u>–</u>
(Loss) profit from operations			<u>(52,177)</u>	<u>6,405</u>

### 3. (LOSS) PROFIT FROM OPERATIONS

	<b>Six months ended</b>	
	<b>9.30.2002</b>	<b>9.30.2001</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	1,635	1,215
Amortisation of goodwill	2,704	–
Dividend income	<u>(490)</u>	<u>(671)</u>

#### 4. TAXATION

	Six months ended	
	9.30.2002	9.30.2001
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)

The tax credit comprises:

Hong Kong Profits Tax		
– Over provision in respect of prior periods	–	89
Overseas taxation – over provision in respect of prior periods	474	–
	<u>474</u>	<u>89</u>

No provision for Hong Kong Profits Tax and overseas taxation has been made as there is no assessable profit for the period.

#### 5. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss for the period of HK\$8,316,000 (2001: HK\$11,754,000) and on the weighted average number of 1,327,348,734 (2001: 1,268,117,965) ordinary shares in issue during the period.

The computation of diluted loss per share does not assume the exercise of potential dilutive ordinary shares as their exercise would result in reduction in loss per share during these periods.

#### 6. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of investment properties and property, plant and equipment with carrying amount of HK\$13,923,000 and HK\$54,682,000 respectively arising from reclassification of a subsidiary to an associate.

During the period, the Group acquired and disposed of property, plant and equipment at the cost of HK1,277,000 and net book value of HK\$54,694,000 respectively (2001: HK\$71,000 and HK\$23,000 respectively).



## 7. 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 and other receivables at the reporting date:

	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>3.31.2002</b> <i>HK\$'000</i> <b>(Audited)</b>
0 – 60 days	67,511	63,590
61 – 90 days	972	4,558
Over 90 days	24,164	25,568
	<hr/>	<hr/>
	92,647	93,716
Deposits, prepayments and other receivables	12,783	17,634
	<hr/>	<hr/>
	<b>105,430</b>	<b>111,350</b>

## 8. TRADE AND OTHER PAYABLES

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

	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>3.31.2002</b> <i>HK\$'000</i> <b>(Audited)</b>
0 – 60 days	12,043	12,589
61 – 90 days	425	364
Over 90 days	5,139	9,944
	<hr/>	<hr/>
	17,607	22,897
Accruals and other payables	26,537	54,301
	<hr/>	<hr/>
	<b>44,144</b>	<b>77,198</b>

## 9. BORROWINGS

	<b>9.30.2002</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>3.31.2002</b> <i>HK\$'000</i> <b>(Audited)</b>
Mortgage loans	10,258	10,476
Less: Amount due within one year shown under current liabilities	<hr/> (472)	<hr/> (488)
Amount due after one year	<b>9,786</b>	<b>9,988</b>

## 10. SHARE CAPITAL

The movements in the issued share capital of the Company during the period were as follows:

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.25 each		
<i>Authorised:</i>		
At beginning and at end of the period	<u>2,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At April 1, 2002	1,268,117,965	317,029
Issue of new ordinary shares	<u>220,000,000</u>	<u>55,000</u>
At September 30, 2002	<u>1,488,117,965</u>	<u>372,029</u>

On August 12, 2002, the Company issued 80,000,000 new shares of HK\$0.25 each at a price of HK\$0.25 per share. 175 bonus shares and 100 bonus warrants were issued with every 100 new issued shares resulting in an increase in issued share capital of HK\$55 million and a reduction of HK\$35 million in the share premium account. Details of the subscription of shares are set out in the circular of the Company dated July 8, 2002.

### Warrants

On August 12, 2002 a bonus issue of warrants was made on the basis of one warrant for every one new shares issued. Each warrant carries an entitlement to subscribe in cash at a price of HK\$0.25 for one ordinary share of the Company from the date of issue to August 11, 2004. Upon exercise of the bonus warrants, one bonus share will be issued with each share subscribed. No warrants were exercised during the period.

At the balance sheet date, the Company had 80 million warrants outstanding. Full exercise of such warrants would raise approximately HK\$20 million for the Company and result in the issue of 160 million additional ordinary shares of HK\$0.25 each.

## 11. PLEDGE OF ASSETS

At September 30, 2002, the Group pledged bank balances of HK\$8,116,000 (March 31, 2002: HK\$4,216,000) as security for banking facilities granted to a subsidiary and as security for credit card business transactions with MasterCard International Inc.

The mortgage loans of HK\$10,258,000 (March 31, 2002: HK\$10,476,000) were secured on the investment properties, land and buildings of the Group with an aggregate carrying value of HK\$17,257,000 (March 31, 2002: HK\$17,257,000).

## 12. POST BALANCE SHEET EVENTS

- a. On October 30, 2002, the Group entered into an agreement to dispose of an equivalent of 1% of the issued share capital of a subsidiary, Online Credit Card Limited to an independent third party for a consideration of HK\$4 million to be satisfied in full by a promissory note.
- b. On November 11, 2002, the Group entered into an agreement to dispose of the entire issued share capital of a subsidiary, Global Med China & Asia Limited to an independent third party for a consideration of HK\$8 million to be satisfied in full by a promissory note.
- c. On November 19, 2002, the Company announced a proposal for asset injection of American Pacific Bank by Mr. Chan Heng Fai, the Chairman and Managing Director of the Company. Details of the transaction are set out in the announcement of the Company dated November 19, 2002.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the period under review, the Hong Kong economy remained weak. With the rising unemployment rate and mounting bankruptcies, the charge-off ratio of credit card receivables has risen considerably in the period under review.

Nevertheless, the financial performance of the Group improved substantially for the six months ended September 30, 2002, with losses narrowing significantly from the previous corresponding period. The Group showed a remarkable growth in turnover to HK\$72,409,000 for the period under review, representing an increase of 104% from HK\$35,475,000 for the previous corresponding period. The increase in turnover was mainly attributable to the e-Health medical information technology business by Global Med Technologies Inc. ("Global Med"), which were acquired by the Group in January, 2002. The contribution of the e-Health medical information technology operations to the Group's turnover amounted to HK\$26,570,000 or approximately 37% of the total turnover of the Group.

During the period, the Group recorded an operating loss of HK\$52,177,000 (2001: profit of HK\$6,405,000) which was mainly attributable to the following factors:

- (1) significant increase in charge for bad and doubtful debts as a consequence of the high level of personal bankruptcy rate;
- (2) unrealised loss on other investments of HK\$18,300,000 in Greater China Holdings Limited held by a former subsidiary, China Gas Holdings Limited ("China Gas");
- (3) increase in administrative expense of China Gas; and
- (4) amortisation of goodwill derived from the acquisition of eBanker in January 2002.

During the period under review, the Company recorded a gain on disposal/deemed disposal of subsidiaries and associate amounted to HK\$37,798,000.

The loss attributable to shareholders for the six months ended September 30, 2002 was HK\$8,316,000 (2001: HK\$11,754,000) and the loss per share was 0.63 cent (2001: 0.93 cent).

### **Liquidity and Capital Management**

The Group monitors its liquidity position as part of its ongoing assets and liabilities management. The balance between liquidity and profitability is carefully considered.

During the period under review, the Company raised HK\$37.2 million from the placing of preference shares of China Gas and received HK\$68.4 million from Hai Xia Finance Holdings Limited (“Hai Xia Finance”) for the exercise of the option to acquire China Gas’s shares.

In August 2002, the Company raised HK\$20 million from the subscription of 80 million Subscription Shares at a subscription price of HK\$0.25 each. The Subscription Shares were issued with 140 million bonus shares and 80 million bonus warrants. The Group applied HK\$7.1 million to partially settle the amount due to MBf Asia Capital Corporation Holdings Limited (“MBf Asia”). At the balance sheet date, the outstanding balance of amount due to MBf Asia was HK\$1.4 million.

These fund raising exercises enabled the Group to strengthen its financial position and to allocate more resources to the expansion of the credit card business and financial services division of the Group.

As at September 30, 2002, the Group’s current ratio was 5.77 (3.31.2002: 2.92) and the gearing of the Group was 23.6% (3.31.2002: 26.8%), which was calculated based on the total borrowings of HK\$59,923,000 and the shareholders’ fund of HK\$253,545,000. Bank and cash balance amounted to HK\$137,586,000 (3.31.2002: HK\$71,632,000).

### **Material acquisitions and disposal and significant investment**

In late July, 2002 Hai Xia Finance exercised in full its option over the shares in China Gas. As a result of the exercise of the option, China Gas has ceased to be a subsidiary of the Group and has been reclassified as an associate. At the balance sheet date, the Group’s shareholding in China Gas is approximately 28%.

In August 2002, the Group transferred 18% interest of a subsidiary, Online Credit Card Limited, to MBf Asia pursuant to the Compromise and Settlement Agreement to settle the litigation in relation to the credit card business.

### **Foreign exchange exposure**

Substantially all the revenues, expenses, assets and liabilities are denominated mainly either in Hong Kong dollars or U.S. 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.

### **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 a 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 reduce the credit risk exposure of the Group.

### **Human resources**

As at September 30, 2002, the Group employed 103 persons. The remuneration policies and bonus schemes of the Group are based on the performance of the staff and market conditions.

**Prospects**

Pertaining to credit card operation, the Group will focus its marketing efforts to offer a core product line consisting of technology financing, personal credit cards, premium service credit cards, secured credit cards and customized corporate financing.

In view of the recession in Hong Kong's economy and the rising level of bankruptcies, the Group will perform analysis on its own customer database, in particular customer profiles, and spending and payment patterns to strengthen credit control. We will closely monitor the operation of the business of the Group while at the same time cautiously expand our business of corporate lending.

We consider that by introducing MBf Asia as a strategic shareholder, it is expected that the credit card business will benefit in terms of utilizing the knowledge and expertise of MBf Asia in the credit card industry, obtaining information technology support from MBf Asia and assistance from MBf Asia in seeking recognition with VISA International to become one of its licensed credit card issuers.

By introducing Hai Xia Finance as a strategic shareholder of China Gas, it is expected that more PRC natural gas projects will be procured in the future and the Company could benefit from the acceleration in value of its investment in China Gas.

Given Global Med's significant position in U.S. and "best of breed" software, we believe Global Med has a very exciting future and substantial capital appreciation potential.

**Contingent liabilities**

As at September 30, 2002, the Company gave corporate guarantees of HK\$Nil (3.31.2002: HK\$3,884,000) to financial institution in respect of banking facilities granted to subsidiaries.

## DIRECTORS' INTERESTS IN SECURITIES

### (1) Shares

At September 30, 2002, the interests of the directors and their associates in the shares capital and warrants of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance of Hong Kong (the “SDI Ordinance”) were as follows:

#### (i) Ordinary shares of the Company

Name of directors	Personal interests	Number of securities held		Other interests
		Corporate interests	Family interests	
Chan Heng Fai	71,476,233	8,535,276 <i>(note 1)</i>	525,499,334 <i>(note 2)</i>	–
Chan Yoke Keow	31,437,294	434,328,440 <i>(note 3)</i>	80,011,509 <i>(note 4)</i>	59,733,600 <i>(note 5)</i>
Chan Sook Jin, Mary-ann	25,680	–	3,416,000 <i>(note 6)</i>	–
Fong Kwok Jen	3,828,000	–	–	–
Chan Tong Wan	17,612,480	–	–	–
Wong Dor Luk, Peter	280,000	–	–	–

#### (ii) Warrants of the Company

Name of directors	Personal interests	Number of securities held		Other interests
		Corporate interests	Family interests	
Chan Heng Fai	–	–	80,000,000 <i>(note 2)</i>	–
Chan Yoke Keow	–	80,000,000 <i>(note 7)</i>	–	–

#### Notes:

1. These shares are owned by Heng Fai China & Asia Industries Limited, in which Mr. Chan Heng Fai (“Mr. Chan”) has a beneficial interest.
2. These shares/warrants are owned by Mrs. Chan Yoke Keow (“Mrs. Chan”), the spouse of Mr. Chan.
3. These shares 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 a beneficial interest.

4. These shares are owned by Mr. Chan, the spouse of Mrs. Chan.
5. These shares are owned by a discretionary trust, Bermuda Trust (South Pacific) Limited. Mrs. Chan is one of the discretionary objects.
6. These shares are owned by Mr. Wooldridge Mark Dean, the spouse of Ms. Chan Sook Jin, Mary-ann.
7. These warrants are owned by Prime Star Group Co. Ltd., in which Mrs. Chan has a beneficial interest.

(iii) *Shares in a subsidiary*

At September 30, 2002, the following directors held interest in the shares of PeopleMed.com, Inc., a subsidiary of the Company as follows:

<b>Name of directors</b>	<b>Number of ordinary shares held</b>	
	<b>Personal interests</b>	<b>Family interests</b>
Chan Heng Fai	100,000	–
Chan Yoke Keow	–	100,000 <i>(note)</i>
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 Yoke Keow.

**(2) Options**

Pursuant to the Company's share option scheme (the "Scheme") was adopted pursuant a resolution passed on September 28, 1995 for the purpose of providing incentive to directors and eligible employees, and will expire on September 27, 2005. Under the Scheme, the board of directors of the Company may grant options to executive directors and employees of the Company and its subsidiaries to subscribe for ordinary shares in the Company, at a price not less than 80% of the average closing price of the Company's shares on the five trading days immediately preceding the offer of the options or the nominal value of the shares whichever is the higher.

At September 30, 2002, the number of shares in respect of which options had been granted under the Scheme was 71,491,739, representing 4.8% of the shares of the Company in issue at that date. The maximum number of shares in respect of which options may be granted under the Scheme in such number of shares which, when aggregated with any shares subject to any other share option schemes, represents 10% of the issued shares of the Company from time to time. No individuals may be granted options which would enable him or her to subscribe for an aggregate of more than 25% of the aggregate number of share for the time being issued and issuable under the Scheme. Upon acceptance of option, the grantee shall pay HK\$1 to the Company as consideration. The options granted were exercisable during the ten year period commencing after the date on which the options were accepted.

The following table discloses movements in the Company's share options during the period:

Name of director	Date granted	Exercisable period	Exercise price HK\$	Number of option shares at 4.1.2002 and 9.30.2002
<i>Category 1: Directors</i>				
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				70,191,739
<i>Category 2: Employees</i>				
Total employees	5.15.1997	5.15.1997 – 5.14.2007	0.4512	<u>1,300,000</u>
Total all categories				<u><u>71,491,739</u></u>

No share option was granted or exercised during the period.

Consideration of HK\$1 was received from each of the option holders, at the time that the options were accepted.

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

(i) *eBanker USA. com, Inc. ("eBanker")*

In January 1999, eBanker's board of directors authorized the eBanker 1999 Incentive and Nonstatutory Stock Option Plan, with effective from January 18, 1999 through January 17, 2009, unless sooner terminated. The eBanker's board of directors granted to certain eBanker's directors, options to purchase 620,000 shares of eBanker's common stock at US\$3.00 per share, exercisable immediately and for a period of ten years.



The following table presents the activity for options outstanding as of September 30, 2002:

	<b>Number of share options at September 30, 2002</b>
<i>Category 1: Directors</i>	
Chan Heng Fai	500,000
Fong Kwok Jen	100,000
	<hr/>
	600,000
<i>Category 2: Others</i>	
Former director	20,000
	<hr/>
Total all categories	<u>620,000</u>

The following table presents the composition of options outstanding and exercisable as of September 30, 2002:

	<b>Options Outstanding</b>			<b>Exercisable Options</b>	
	<b>Amount</b>	<b>Price*</b>	<b>Life*</b>	<b>Amount</b>	<b>Price*</b>
		<i>US\$</i>			<i>US\$</i>
Total September 30, 2002	620,000	3.00	8 years	620,000	3.00

\* *Price and life reflect the weighted average exercise price and weighted average remaining contractual life, respectively.*

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

(ii) *Global Med Technologies Inc. ("Global Med")*

In the second quarter of 2001, Global Med adopted the 2001 Stock Option Plan ("2001 Plan"). The 2001 Plan provides for the issuance of options to purchase up to 15 million registered shares of common stock to employees, officers, directors and consultants of the Global Med. Options may be granted as incentive stock options or as nonqualified stock options. Only employees of Global Med are eligible to receive Incentive Options. The 2001 Plan expires on December 28, 2010. As of September 30, 2002, options to purchase 80 thousand shares of the Global Med's common stock as a weighted average exercise price of US\$0.96 per share through 2001 were outstanding under the 2001 Plan, of which 14 thousand options to purchase shares were exercisable.

The Second Amended and Restated Stock Option Plan (Plan) provides for the issuance of options to purchase up to 2.2 million registered shares of common stock to employees, officers, director and consultants of Global Med. Options may be granted as incentive stock or as nonqualified stock options. Only employees of Global Med are eligible to receive Incentive Options. The Plan expired on May 31, 2000. As of September 30, 2002, options to purchase 1.251 million shares of Global Med's common stock at a weighted average exercise price of US\$1.14 per share were outstanding under the Plan, of which 985 thousand options to purchase shares were exercisable.

Global Med also periodically grants options to purchase shares of restricted common stock. The shares underlying these options are not registered under the 1933 Act. As of September 30, 2002, there were options to purchase 4.927 million shares of common stock at a weighted average exercise price of US\$0.96 outstanding, of which 1.978 million were exercisable at September 30, 2002.

In the second quarter of 2001, Global Med amended the 1997 Stock Compensation Plan. The amended 1997 Stock Compensation Plan provides for the issuance of up to 1 million registered shares of common stock to employees, consultants and others involved in Global Med's business. A total of 200,000 shares of common stock of Global Med have been issued under the stock compensation plan as of September 30, 2002.

The followings table presents the activity for options for the period ended as of September 30:

<b>Name of director</b>	<b>Exercise price</b> <i>US\$</i>	<b>Number of share options at 9.30.2002</b>
Chan Heng Fai	0.78	250,000
Chan Tong Wan	0.66	50,000
Fong Kwok Jen	0.78	150,000
	<b>Option</b>	<b>Price*</b> <i>US\$</i>
As at April 1, 2002	6,257,971	0.85
Granted	2,827,500	0.58
Forfeited/cancelled	(173,529)	1.31
As at September 30, 2002	<u>6,257,971</u>	<u>0.75</u>

\* *Price reflects the weighted average exercise price.*

No options were granted to the Global Med's Executive Officers during the period ended September 30, 2002. There were no options exercised during the period.

The following table presents the composition of options outstanding and exercisable as of September 30, 2002:

<b>Range of exercise price</b> <i>US\$</i>	<b>Options Outstanding</b>			<b>Exercisable Options</b>	
	<b>Amount</b>	<b>Price*</b> <i>US\$</i>	<b>Life*</b>	<b>Amount</b>	<b>Price*</b> <i>US\$</i>
0.56 – 1.00	5,312,998	0.68	7.5	2,205,932	0.73
1.03 – 1.50	297,500	1.18	7.9	204,500	1.13
1.51 – 2.00	420,973	1.73	6.4	342,473	1.76
2.45 – 3.00	213,000	2.51	5.7	211,000	2.50
3.75	13,500	3.75	5.0	13,200	3.75
Total September 30, 2002	<u>6,257,971</u>	<u>0.85</u>	<u>7.4</u>	<u>2,977,105</u>	<u>1.01</u>

\* *Price and life reflect the weighted average exercise price and weighted average remaining contractual life, respectively.*

Other than as disclosed above, at no time during the six months ended September 30, 2002 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 and neither the directors nor the chief executives, nor any of their spouses or children under age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

## **SUBSTANTIAL SHAREHOLDERS**

As at September 30, 2002, according to the register of interest kept by the Company under Section 16(1) of the SDI Ordinance, the persons who were interested in 10% or more in the issued share capital of the Company are as follows:

<b>Name</b>	<b>Number of shares</b>
Prime Star Group Co. Ltd.	321,260,000

Save as disclosed above, as at September 30, 2002, no person other than the directors of the Company whose interest are set out in the section headed "Directors' interest in securities" above, had registered an interest of 10% or more in the issued share capital of the Company that was required to be recorded in the register of interest pursuant to Section 16(1) of the SDI Ordinance.

## **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.

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

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed shares 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, 2002 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 Heng Fai**  
*Chairman and Managing Director*

Hong Kong, December 23, 2002