



# CASH

FINANCIAL SERVICES GROUP  
時富金融服務集團



**2002 Interim Results**  
1 January to 30 June

**CASH Financial Services Group Limited**

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*This document, for which the directors of CASH Financial Services Group Limited (“Company” or “CFSG”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief,:* (i) *the information contained in this document is accurate and complete in all material respects and not misleading;* (ii) *there are no other matters the omission of which would make any statement in this document misleading;* and (iii) *all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## SUMMARY

- Turnover increased by over three times to HK\$111.9 million.
- Net loss attributable to shareholders reduced from HK\$29.7 million to HK\$26.8 million, representing an improvement of 9.8%.
- Cash and bank balances totalled HK\$429.7 million with liquidity ratio maintained at 1.3 times.
- Product range continued to be expanded on top of well developed trading infrastructure including international securities and commodities trading hub as well as fixed income instrument trading.

## CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	53,067	14,425	111,877	25,258
Other revenue		517	737	1,808	1,378
Cost of provision of trading platform services		–	(3,880)	–	(6,818)
Salaries, allowance and commission		(34,168)	(8,131)	(67,983)	(17,683)
Other operational and administrative expenses		(19,956)	(12,349)	(42,039)	(26,530)
Depreciation and amortisation		(7,432)	(2,693)	(14,826)	(5,274)
Finance costs		(2,729)	–	(5,410)	–
Provision for doubtful receivable		(6,000)	–	(6,000)	–
Impairment loss on property and equipment		(4,200)	–	(4,200)	–
Loss before taxation		(20,901)	(11,891)	(26,773)	(29,669)
Taxation	4	–	–	–	–
Net loss attributable to shareholders		(20,901)	(11,891)	(26,773)	(29,669)
Loss per share	5				
– Basic		(20.7) cents	(11.8) cents	(26.6) cents	(29.4) cents
– Diluted		N/A	N/A	N/A	N/A

## CONSOLIDATED BALANCE SHEET

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	Notes		
<b>Non-current assets</b>			
Property and equipment		59,493	73,839
Goodwill	6	98,082	100,629
Intangible assets	7	13,732	14,582
Other assets		46,080	50,250
Loans receivable	9	10,332	14,171
		<u>227,719</u>	<u>253,471</u>
<b>Current assets</b>			
Accounts receivable	8	305,766	287,875
Loans receivable	9	13,596	17,193
Prepayments, deposits and other receivable		10,686	15,687
Investments in securities		747	616
Pledged bank deposits		12,200	1,266
Bank balances – trust and segregated accounts		321,282	362,634
Bank balances (general) and cash		96,247	114,048
		<u>760,524</u>	<u>799,319</u>
<b>Current liabilities</b>			
Accounts payable	10	407,960	416,267
Accrued liabilities and other payable		47,907	57,151
Obligations under finance leases – amount due within one year		1,006	1,988
Bank borrowings, secured		117,321	134,796
		<u>574,194</u>	<u>610,202</u>
<b>Net current assets</b>		<u>186,330</u>	<u>189,117</u>
		<u>414,049</u>	<u>442,588</u>

CONSOLIDATED BALANCE SHEET (continued)

		30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
	Notes		
Capital and reserve			
Share capital	11	10,076	201,520
Reserves	12	<u>142,211</u>	<u>(22,460)</u>
		<u>152,287</u>	<u>179,060</u>
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		762	749
Convertible note		261,000	261,000
Interest payable on convertible note to immediate holding company		–	<u>1,779</u>
		<u>261,762</u>	<u>263,528</u>
		<u>414,049</u>	<u>442,588</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Six months ended 30 June	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash inflow/(outflow) from operating activities	23,413	(49,304)
Net cash outflow from returns on investments and servicing of finance	(7,189)	–
Net cash outflow from investing activities	<u>(3,381)</u>	<u>(20,693)</u>
Net cash inflow/(outflow) before financing	12,843	(69,997)
Net cash outflow from financing	<u>(969)</u>	<u>–</u>
Increase/(Decrease) in cash and cash equivalents	11,874	(69,997)
Cash and cash equivalents at beginning of period	<u>(20,748)</u>	<u>224,601</u>
Cash and cash equivalents at end of period	<u><u>(8,874)</u></u>	<u><u>154,604</u></u>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	429,729	154,604
Bank borrowings, repayable within three months from date of the advances	<u>(117,321)</u>	<u>–</u>
	312,408	154,604
Less: Bank balances – trust and segregated accounts	<u>(321,282)</u>	<u>–</u>
	<u><u>(8,874)</u></u>	<u><u>154,604</u></u>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	179,060	237,992
Net loss for the period	<u>(26,773)</u>	<u>(29,669)</u>
At 30 June	<u><b>152,287</b></u>	<u><b>208,323</b></u>

Notes:

(1) Principal accounting policies and basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The accounting policies and methods of computation used in preparation of these unaudited consolidated interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2001.

(2) Turnover

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees and commission income	47,950	–	96,697	–
Interest income	6,237	1,258	16,300	3,831
(Loss)/Profit on trading of securities, option and futures	(1,120)	1,966	(1,120)	1,966
Services income	–	11,158	–	19,221
Advertising income	–	43	–	240
	<u>53,067</u>	<u>14,425</u>	<u>111,877</u>	<u>25,258</u>

Interest income of HK\$1,258,000 and HK\$3,831,000 as well as profit on trading of securities, option and futures of HK\$1,966,000 and HK\$1,966,000 earned respectively in the 3 months and the six months ended 30 June 2001 respectively have been reclassified to turnover from other revenue.



### (3) Income statement by business and geographical segments

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. The Group reports its segment information based on these divisions.

Principal activities for the period ended 30 June 2002 were as follows:

Broking	Securities, options and futures broking and trading services
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

All of the Group's activities are based in Hong Kong and all of the Group's turnover and loss before taxation for both periods were derived from Hong Kong. Accordingly, no analysis by geographical segments is presented.

The Group's turnover and loss before taxation for the six months ended 30 June 2001 were substantially derived from the provision of electronic trading platform. Accordingly, no analysis by business segments for the period is presented.

Segment information about these businesses for the six months ended 30 June 2002 is presented below:

	Broking	Financing	Corporate finance	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>92,420</u>	<u>10,234</u>	<u>9,223</u>	<u>111,877</u>
Result				
Segment (loss) profit	<u>(11,922)</u>	<u>(6,065)</u>	<u>5,606</u>	(12,381)
Other revenue				1,808
Unallocated corporate expenses				<u>(16,200)</u>
Loss before taxation				(26,773)
Taxation				<u>-</u>
Net loss attributable to shareholders				<u>(26,773)</u>

(4) **Taxation**

No provision for Hong Kong Profits Tax has been made as the Group incurred tax losses for each of the above periods.

No deferred tax asset has been recognised in the financial statements in respect of the estimated tax losses available to offset future profit as it is uncertain that the estimated tax losses will be utilised in the foreseeable future.

(5) **Loss per share**

The calculation of basic loss per share for the three months and the six months ended 30 June 2002 together with the comparative figures for 2001 is based on the following data:

	Unaudited Three months ended 30 June 2002		Unaudited Six months ended 30 June 2001	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net loss attributable to shareholders	<u>(20,901)</u>	<u>(11,891)</u>	<u>(26,773)</u>	<u>(29,669)</u>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>100,759,751</u>	<u>100,760,000</u>	<u>100,759,784</u>	<u>100,760,000</u>

The weighted average number of ordinary shares for the three months and the six months ended 30 June 2001 for the purposes of basic earnings per share has been adjusted for the share consolidation on 26 April 2002.

No diluted loss per share for both periods has been presented because the exercise prices of the Company's options and convertible note were higher than the average market price for shares for the respective periods.

(6) **Goodwill**

	<i>HK\$'000</i>
<hr/>	
COST	
At 1 January 2002 and at 30 June 2002	<u>101,903</u>
AMORTISATION	
At 1 January 2002	1,274
Charged for the period	<u>2,547</u>
At 30 June 2002	<u>3,821</u>
NET BOOK VALUE	
At 30 June 2002 (unaudited)	<u>98,082</u>
At 31 December 2001 (audited)	<u>100,629</u>

The amortisation period adopted for goodwill was 20 years.

(7) **Intangible assets**

Trading rights in exchanges in Hong Kong acquired

	<i>HK\$'000</i>
<hr/>	
COST	
At 1 January 2002 and at 30 June 2002	<u>15,039</u>
AMORTISATION	
At 1 January 2002	457
Charged for the period	<u>850</u>
At 30 June 2002	<u>1,307</u>
NET BOOK VALUE	
At 30 June 2002 (unaudited)	<u>13,732</u>
At 31 December 2001 (audited)	<u>14,582</u>

The amortisation period adopted for intangible assets was over 10 years.

(8) Accounts receivable

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	31,463	10,928
Cash clients	24,867	11,817
Margin clients	213,554	221,456
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	35,882	43,674
	<u>305,766</u>	<u>287,875</u>

The settlement terms of accounts receivable arising from the business of dealing in securities and equity options were two days after trade date, and accounts receivable arising from the business of dealing in futures and options were one day after trade date.

Except for the loans to share margin clients as mentioned below, all the above balances aged within 30 days.

Loans to share margin clients were secured by clients' pledged securities, repayable on demand and bore interest at commercial rates. No aging analysis is disclosed as in the opinion of Directors, the aging analysis does not give additional value in view of the nature of business of share margin financing. Included in accounts receivable from margin clients arising from the business of dealing in securities was an amount of approximately HK\$26,361,000 (At 31 December 2001: HK\$25,220,000) due from companies controlled by Kwan Pak Hoo Bankee. The amount was secured by pledged securities and repayable on demand, and bore interest at commercial rates which were similar to the rates offered to other margin clients. The maximum amount outstanding therefrom during the period was HK\$28,701,000 (For the year ended 31 December 2001: HK\$25,220,000).

(9) Loans receivable

The maturity of the loans receivable was as follows:

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Matured within 180 days	13,596	15,493
Matured between 181 days to 365 days	–	1,700
Matured within one year	13,596	17,193
Matured over one year	10,332	14,171
	<u>23,928</u>	<u>31,364</u>

(10) Accounts payable

	30 June 2002 (Unaudited) HK\$'000	31 December 2001 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	232,653	243,866
Margin clients	37,830	52,575
Accounts payable to clients arising from the business of dealing in futures and options	137,477	119,826
	<u>407,960</u>	<u>416,267</u>

The settlement terms of accounts payable arising from the business of dealing in securities were two days after trade date. Except for the amounts payable to share margin clients, the age of these balances was within 30 days.

Amounts due to share margin clients were repayable on demand. No aging analysis is disclosed as in the opinion of Directors, the aging analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options were margin deposits received from clients for their trading of futures and options. The excess of the outstanding amounts over the required margin deposits stipulated were repayable to clients on demand. No aging analysis is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of business of futures and options dealing.

(11) Share capital

	Number of shares '000	Amount HK\$'000
AUTHORISED		
Ordinary shares of HK\$0.10 each at 1 January 2002	10,000,000	1,000,000
Reduced due to Share Consolidation	<u>(9,500,000)</u>	<u>–</u>
Ordinary shares of HK\$2.00 each	500,000	1,000,000
Reduced due to Capital Reduction	<u>–</u>	<u>(950,000)</u>
Ordinary shares of HK\$0.10 each	500,000	50,000
Share cancellation of unissued share capital	(399,240)	(39,924)
Increase in authorised share capital	<u>399,240</u>	<u>39,924</u>
Ordinary shares of HK\$0.10 each at 30 June 2002	<u>500,000</u>	<u>50,000</u>
ISSUED AND FULLY PAID		
Ordinary shares of HK\$0.10 each at 1 January 2002	2,015,200	201,520
Reduced due to Share Consolidation	<u>(1,914,440)</u>	<u>–</u>
Ordinary shares of HK\$2.00 each	100,760	201,520
Reduced due to Capital Reduction	<u>–</u>	<u>(191,444)</u>
Ordinary shares of HK\$0.10 each at 30 June 2002	<u>100,760</u>	<u>10,076</u>

Notes:

Pursuant to the special resolution passed by the shareholders at the special general meeting of the Company held on 25 April 2002, the Company:

- (i) consolidated every 20 issued and unissued shares of HK\$0.10 each into one share of HK\$2.00 each ("Consolidated Share(s)") ("Share Consolidation");
- (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK\$1.90 on each of the Consolidated Shares in issue ("Capital Reduction");
- (iii) cancelled all of the authorised but unissued share capital and forthwith upon such cancellation, increased the authorised share capital to HK\$50,000,000.00 by the creation of additional new shares of HK\$0.10 each; and
- (iv) transferred the credit amount arising from the Capital Reduction of HK\$191,444,059.20 to the contributed surplus account.

(12) Reserves

	Notes	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2002		209,661	(232,121)	(22,460)
Increased due to Capital Reduction	(a)	191,444	–	191,444
Transfer from contributed surplus to set off accumulated losses	(b)	(111,340)	111,340	–
Net loss for the period		–	(26,773)	(26,773)
At 30 June 2002		<u>289,765</u>	<u>(147,554)</u>	<u>142,211</u>

Notes:

- (a) Please refer to the notes of share capital.
- (b) Pursuant to the minutes of a directors' meeting held on 16 May 2002, an amount of HK\$111,340,426 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2001.

## DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2002 (2001: Nil).

## REVIEW AND OUTLOOK

### Financial Review

For the six months ended 30 June 2002, our Group recorded a 342.9% increase in turnover to HK\$111.9 million when compared with the same period last year. This was mainly attributable to the consolidation of the results of our traditional financial services business at the end of September 2001. During the period, we suffered a net loss attributable to shareholders of HK\$26.8 million, representing a 9.8% improvement when compared to the same period of last year.

The Group's total shareholders' equity amounted to HK\$152.3 million on 30 June 2002 as compared to HK\$179.1 million at the end of the last year. The decrease was mainly attributed to the net loss reported for the first half of 2002.

On 30 June 2002, our cash and bank balances totalled HK\$429.7 million as compared to HK\$477.9 million on 31 December 2001. The reduction was primarily attributed to the repayment of bank borrowings. However, our liquidity ratio remained healthy at 1.3 times on 30 June 2002 compared with 1.3 times on 31 December 2001. The cash balances and the liquidity were maintained at a healthy level at all times.

Our total bank borrowings, all in HK dollar, on 30 June 2002 were HK\$117.3 million, which were used to finance the Group's securities margin financing business. 91% of these borrowings were collateralised by our margin clients' securities assets pledged to us to secure their securities trading financing. The remaining borrowings were pledged with our Group's cash and bank balances. All of our borrowings were repayable within 3 months from the date of advance and were in HK dollar with interest rates priced at close to banks' funding costs. As all of our borrowings were utilised for margin financing business, the fluctuations in our funding requirements were dependent on the prevailing market sentiment and there was no significant seasonality effect on our borrowing needs. The Group's exposure to over-lending, especially under an adverse economic weather, was not significant. As such, our exposure to interest rate volatility was limited.



Together with the convertible note of HK\$261 million, our interest bearing borrowings to shareholders' equities was 248.4% on 30 June 2002. Insofar as that the convertible note was a liability to our parent group with the maturity date on 31 December 2006, as well as the bank borrowings being of a back-to-back nature, our gearing was kept at a conservatively low level. In addition, as the financing granted to our margin clients and the bank borrowings were charged on floating rate basis, no material interest rate risk arising from the volatility in cost of funds was noted.

On 30 June 2002, we had a contingent liability amounted to approximately HK\$0.5 million, which represented a bank deposit pledged to secure general banking facilities granted to one subsidiary's foreign exchange forward contract. Save as the above, we had no other material contingent liabilities and charges on assets at the end of the period.

Our Group did not make any material acquisitions or disposals during the six months ended 30 June 2002. We do not have any future plans for material investments or capital assets.

### Business Review

The global and regional economic environment remained austere and uncertain during the first half of 2002. Hong Kong's GDP fell by 0.9% in real terms during the first quarter of 2002 as compared with the same period last year, while a 1.4% Hong Kong's GDP decline was recorded in the fourth quarter of 2001, as compared with the same period in the prior year.

The local stock market staged a brief rebound at the beginning of 2002, stimulated in part by a price surge in technology-related shares in the United States. However, market sentiment was weighed down by concern over rising unemployment and an uncertain business outlook. Consumer spending remained subdued, amidst record high unemployment rate and wage restraint. The investment sentiment with concerns about job security, income uncertainty and protracted weakness in the asset markets continued to be subdued.

Following the completion of corporate restructuring and rationalization last year, we continued with our efforts to secure our position as a multiple financial services provider and investment services house of choice.

## Products and services

### *New product category*

In January 2002, the Group successfully developed the requisite systems and gained approval from the Hong Kong Stock Exchange to act as a market maker for warrants trading. As a result, we became a designated market maker for premier partners such as KBC and Barclays. By forming the partnership with these warrant specialists, we actively participated in the market of this new Stock Exchange product with great success.

We continued to develop our international trading hub through link-ups with regional and international brokerage partners. We further broadened the market coverage for securities trading services to stocks listed in Taiwan, Korea, Singapore and London, albeit only via traditional channels initially, upgrading the futures and options trading platform to extend trading services of futures and options products in eight overseas markets.

Through the new partnerships, we offered fixed-income trading services that cover a wide range of bonds including US government treasury bonds, perpetual corporate bonds, and Hong Kong and US corporate bonds. Complemented by the link-ups to the market information of bond trading with CASH on-line website, our investors were able to capture concrete and timely information through our platform.

### *New face*

To pave way for the increasing role mainland investors would play in the Hong Kong market, the Group revamped the CASH on-line website that was completed on 3 May 2002. Through the revamp of the website, we developed a simplified Chinese version of [www.cashon-line.com](http://www.cashon-line.com) and our electronic trading platform.

## Marketing activities

During the period, we focused to leverage on our brand strength to cross-sell into our enlarged client base as well as to tap into Pricerite's retail customer coverage through below-the-line marketing initiatives. These included the 82 road shows co-organised with the Bank of East Asia and Pricerite for the promotion of our CASH credit cards, combined with the roll-out of permanent hotline-connected product information counters across the top 15 stores in the Pricerite store network.

On the other hand, we implemented a tactical product marketing campaign including above-the-line media such as bus body advertisement, bus road show and print, as well as below-the-line promotion such as posters, direct mail and e-marketing for promoting futures and options trading in February and March. Responses from the investment public were encouraging, 168 internet commodities trading accounts were opened by the end of March, representing over half of all the new accounts opened during the period.

### Greater China market

#### *CASH Liaoning Investment Consultant*

With China's accession into WTO, we focused significant efforts during the period to develop our expertise and business reach within China, culminating in the inauguration of our CASH Liaoning Investment Consultant joint venture ("CLIC") with Liaoning Securities on 23 April 2002.

Liaoning Securities, formed in 1988, is one of the oldest securities firm in the mainland. With a network of more than 40 branches in Liaoning province and other economically prosperous regions, Liaoning Securities enjoys a client base of over 300,000 clients. Apart from holding memberships at the Shanghai and the Shenzhen stock exchanges, Liaoning Securities also offers securities and fixed-income underwriting services and financial advisory services to its mainland clients. It also acts as financial advisors to provincial and local municipal governments on asset restructuring and capital management.

Our Beijing operation focuses mainly on providing financial advisory services to mainland enterprises by tapping into the corporate finance expertise of Liaoning Securities and ours at the beginning. Together with our teams in our Shanghai liaison office, CLIC completes the physical presence that constitutes our future business development strategy in the mainland.

We aim to leverage on our rapidly developing corporate finance group and institutional placing capability to pursue our goal to act as an importer of international investment funds for mainland-based private enterprises.

### *Exhibition and seminars*

During the period, we further enhanced our brand penetration through strategic road shows, seminars, and exhibition initiatives in our targeted cities. We participated in the Shanghai International Exhibition for On-line Securities Services as well as the First China Securities Exhibition in Guangzhou, China. We also held our first seminar in Shenzhen with Shenzhen Special Administrative Zone Daily and Hong Kong Commercial Daily in May, and received positive response and enquiries from potential clients.

### **Looking Forward**

We are currently weathering a global recession. Hong Kong, as an international financial centre is suffering from a similar crisis of confidence as in markets elsewhere. In particular, with our close link to the US market, we are certain that the financial service industry here will be hard hit. We do not anticipate any significant improvement in our business environment in the foreseeable future. As such, we hold little expectation, if any, for improvements in our revenue picture for the rest of the year.

Our focus will remain towards cost control and maintaining cost leadership. We are, however, confident that after our corporate restructuring and rationalisation, we are operating from a cost and resource base that will enable us to weather this challenging environment.

We are confident that this rationalized infrastructure will still enable us to pursue our business development strategies in the Mainland China market.

At the same time, we shall continue to diversify our products and services hence our revenue stream to reduce the cyclical and regulatory impact on our overall revenue.

### **EMPLOYEE INFORMATION**

At 30 June 2002, the Group had 261 employees. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. We continue to organise training to employees in the areas of mandatory professional development programmes required by regulatory bodies, customer services, problem solving and Putonghua training.

## PROGRESS OF ATTAINING BUSINESS OBJECTIVES

In compliance with the rules of the GEM, the following sets out a summary of the actual business progress as measured against the statement of business objectives set out in the listing prospectus for the period from 1 January 2002 to 30 June 2002.

Business objectives for the review period as disclosed in the listing prospectus	Actual business progress for the review period
--	--

### *Business development*

- |   |  |
|---|--|
| <ul style="list-style-type: none"><li>• Launch new version of online trading</li></ul>    | <ul style="list-style-type: none"><li>• Revamp of our website <i>www.cashon-line.com</i> completed in early May 2002.</li><li>• Simplified Chinese version of trading platform has been developed.</li></ul>   |
| <ul style="list-style-type: none"><li>• Develop into a one-stop financial house</li></ul> | <ul style="list-style-type: none"><li>• Has been approved by SEHK to act as a market maker for warrants trading since January 2002.</li><li>• Began to offer fixed-income trading service covering a wide range of bonds including US government treasury bonds, perpetual corporate bonds, Hong Kong and US corporate bonds in the 1Q of 2002.</li><li>• Extended market coverage for securities trading services further to cover stocks listed in Taiwan, Korea, Singapore and London, and as well as other futures and options products.</li></ul> |

### *Sales and marketing*

- Fine tune electronic marketing tools to target certain specific groups of customers
- Extended service coverage for electronic trading clients by rolling out electronic trading stations into entire traditional branch network.

### *Technology enhancement*

- Research and evaluate 3G technology for mobile trading applications
- Continuous monitoring and research to enable the Group to adopt 3G technology to enhance mobile trading services.

## **DIRECTORS' INTERESTS IN SECURITIES**

As at 30 June 2002, the Directors' interests in and rights to subscribe for the ordinary shares of HK\$0.10 each in the Company and shares in its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.40 of the GEM Listing Rules were as follows:

### **1. Interest in shares or debentures**

#### **A. Ordinary shares in the Company**

Name	Number of shares beneficially held		Shareholding (%)
	Personal	Other interest	
Kwan Pak Hoo Bankee	-	54,330,997*	53.92
Law Ka Kin Eugene	12,500	-	0.01
Law Ping Wah Bernard	271,249	-	0.27
Kwok Oi Kuen Joan Elmond	20,000	-	0.02

\* The shares were held as to 50,463,239 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"), and as to 3,867,758 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH and Cash Guardian as disclosed in the "Substantial Shareholders" below.

## B. Associated corporations (within the meaning of SDI Ordinance)

### (a) CASH

#### Ordinary shares

Name	Number of shares beneficially held		Shareholding (%)
	Personal	Other interest	
Kwan Pak Hoo Bankee	-	156,952,376*	51.38
Law Ka Kin Eugene	125,000	-	0.04
Law Ping Wah Bernard	5,096,200	-	1.67
Kwok Oi Kuen Joan Elmond	2,700,000	-	0.88

\* The shares were held by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

Warrants carrying rights to subscribe for shares of HK\$0.10 each in CASH at the adjusted subscription price of HK\$13.00 each during the period from 20 July 2000 to 31 July 2002 (both days inclusive)

Name	Amount of warrants beneficially held	
	Personal (HK\$)	Other interest (HK\$)
Kwan Pak Hoo Bankee	-	159,976,285.30*
Law Ka Kin Eugene	162,500.00	-
Law Ping Wah Bernard	3,526,238.30	-
Kwok Oi Kuen Joan Elmond	260,000.00	-

\* The amount of warrants was held as to HK\$144,876,749.55 by Cash Guardian and as to HK\$15,099,535.75 by Suffold Resources Limited ("Suffold"). Cash Guardian and Suffold were both 100% beneficially owned by Jeffnet Inc. Details of the ultimate beneficial interest of Jeffnet Inc are disclosed in the "Substantial Shareholders" below. Mr Kwan was deemed to be interested in all these warrants as a result of his interests in Cash Guardian and Suffold.

(b) *Ordinary shares in Pricerite Group Limited ("Pricerite")*

Name	Number of shares beneficially held		Shareholding (%)
	Other interest		
Kwan Pak Hoo Bankee	1,374,432,297*		66.18

\* The shares were held by CIGL. Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

Save as disclosed above, as at 30 June 2002, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

2. *Rights to acquire shares in the Company*

Pursuant to the share option schemes of the Company, certain Directors of the Company were granted share options to subscribe for shares in the Company, details of which as at 30 June 2002 were as follows:

Name	Date of grant	Number of options			Exercise period	Exercise price per share (HK\$)
		Outstanding as at 1 January 2002	Adjusted on 25 April 2002	Outstanding as at 30 June 2002		
Law Ka Kin Eugene	26/3/2001	25,000,000	(23,750,000)	1,250,000	1/10/2001 - 30/9/2004	2.20
Wong Kin Yick Kenneth	26/3/2001	20,000,000	(19,000,000)	1,000,000	1/10/2001 - 30/9/2004	2.20
Miao Wen Hao Felix	26/3/2001	15,000,000	(14,250,000)	750,000	1/10/2001 - 30/9/2004	2.20
Law Ping Wah Bernard	26/3/2001	20,000,000	(19,000,000)	1,000,000	1/10/2001 - 30/9/2004	2.20
		<u>80,000,000</u>	<u>(76,000,000)</u>	<u>4,000,000</u>		

Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002.
- (2) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.

Save as disclosed above, during the six months ended 30 June 2002, none of the Directors or chief executive of the Company or any of their spouse or children under 18 years of age was granted or holding options to acquire shares in or debentures of the Company.



## SHARE OPTION SCHEMES

Details of share options to subscribe for shares in the Company granted to participants under the share option schemes of the Company during the six months ended 30 June 2002 were as follows:

Date of grant	Exercise period per share (HK\$)	Exercise price	Notes	Number of options			
				Outstanding as at 1 January 2002	Lapsed during the period	Adjusted on 25 April 2002	Outstanding as at 30 June 2002
<b>Directors</b>							
26/3/2001	2.20	1/10/2001 – 30/9/2004	(2)	80,000,000	-	(76,000,000)	4,000,000
				80,000,000	-	(76,000,000)	4,000,000
<b>Employees</b>							
26/3/2001	2.20	1/10/2001 – 30/9/2004	(3)	20,000,000	-	(19,000,000)	1,000,000
27/3/2001	2.20	1/10/2001 – 30/9/2004	(3)	24,100,000	(1,000,000)	(21,945,000)	1,155,000
				44,100,000	(1,000,000)	(40,945,000)	2,155,000
				124,100,000	(1,000,000)	(116,945,000)	6,155,000

### Notes:

- (1) The number and the exercise price of options which remained outstanding on 25 April 2002 have been adjusted due to share consolidation of the Company for 20 shares into 1 share with effect from the close of business on 25 April 2002.
- (2) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities" under the sub-heading "Rights to acquire shares in the Company".
- (3) The options are vested in 2 tranches as to (i) 50% exercisable from the commencement of the exercise period; and (ii) 50% exercisable from the expiry of 12 months from the commencement of the exercise period.
- (4) The lapsed options were due to cessation of employment of participants with the Group.
- (5) No option was granted, exercised or cancelled during the period.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares	Shareholding (%)
Kwan Pak Hoo Bankee ( <i>Note 1</i> )	54,330,997	53.92
Jeffnet Inc ( <i>Note 1</i> )	54,330,997	53.92
Cash Guardian ( <i>Note 1</i> )	54,330,997	53.92
CASH ( <i>Note 1</i> )	50,463,239	50.08
CIGL ( <i>Note 1</i> )	50,463,239	50.08
Yasumitsu Shigeta ( <i>Note 2</i> )	18,700,000	18.56
Hikari Power Limited ( <i>Note 2</i> )	18,700,000	18.56
Hikari Tsushin Inc ( <i>Note 2</i> )	18,700,000	18.56

Notes:

- (1) The shares were held as to 50,463,239 shares by CIGL and as to 3,867,758 shares by Cash Guardian. CIGL is a wholly owned subsidiary of CASH which was owned as to approximately 51.38% by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan. Pursuant to SDI Ordinance, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH and Cash Guardian.
- (2) This refers to the same number of 18,700,000 shares held by Hikari Tsushin Inc. Mr Yasumitsu Shigeta, through his personal name, family members and Hikari Power Limited, a company wholly-owned by Mr Yasumitsu Shigeta, controlled more than one third of the voting power at a general meeting of members of Hikari Tsushin Inc. Mr Yasumitsu Shegita and Hikari Power Limited were deemed to be interested in all the Shares held by Hikari Tsushin Inc pursuant to the SDI Ordinance.

Save as disclosed above, as at 30 June 2002, no other parties were recorded in the register required by the SDI Ordinance to be kept as having an interest of 10% or more of the issued share capital of the Company.

## BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2002, our Company was in compliance with Board Practices and Procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules.

## COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined under GEM Listing Rules) had any interest in a business which competed or might compete with the business of the Group.

## SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited ("BNP"), neither BNP nor its directors or employees or associates (as referred to in note 3 to rule 6.35 of the GEM Listing Rules), had any interests in the share capital of the Company as at 30 June 2002.

Pursuant to the agreement dated 10 December 2000 entered into between the Company and BNP, BNP will receive a fee for acting as the Company's sponsor for the period from 10 December 2000 to 31 December 2002.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2002, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

**Bankee P Kwan**

*Chairman*

Hong Kong, 8 August 2002