



CASH Financial Services Group Limited
2003 Interim Results
1 January to 30 June

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.

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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**Financial highlights**

- Our turnover decreased by 46.7% to HK\$59.7 million, mainly due to the poor stock market investment sentiment in the first half of 2003. Our results were therefore in line with the market doldrums.
- On the positive side, our operating expenses decreased by 44.8% during the first half of 2003. This was the cumulative result of our continuous rationalisation and cost containment imperatives implemented over the past two years.
- Net loss attributable to shareholders was therefore reduced by 53.5% to HK\$12.4 million.

Business Highlights

- Initial signs of market recovery shown, our solid financial position will allow us to capitalise on the possible market recovery.
- Started establishing our foothold in the financial planning business.
- Improved our customer service by consolidating clients' investment portfolio in one integrated statement.
- Continued to grow our core brokerage business.

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of the Company and its subsidiaries (“Group”) for the three months and the six months ended 30 June 2003 together with the comparative figures for the last corresponding periods are as follows:

	Notes	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	29,473	53,067	59,681	111,877
Other revenue		2,651	517	3,472	1,808
Salaries, allowance and commission		(13,439)	(34,168)	(33,281)	(67,983)
Other operational and administrative expenses		(13,182)	(19,956)	(27,476)	(42,039)
Finance costs		(1,236)	(2,729)	(2,717)	(5,410)
Depreciation and amortisation		(5,102)	(7,432)	(10,547)	(14,826)
Loss on disposal of property and equipment		(1,469)	(4,200)	(1,580)	(4,200)
Allowance for bad and doubtful debts		–	(6,000)	–	(6,000)
Loss before taxation		(2,304)	(20,901)	(12,448)	(26,773)
Taxation	5	–	–	–	–
Net loss attributable to shareholders		(2,304)	(20,901)	(12,448)	(26,773)
Loss per share	6				
– Basic		(1.8) cents	(20.7) cents	(10.8) cents	(26.6) cents
– Diluted		N/A	N/A	N/A	N/A

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Non-current assets			
Property and equipment		37,101	48,547
Intangible assets	7	11,837	12,752
Other assets		13,542	14,892
Loans receivable	9	586	2,217
		<u>63,066</u>	<u>78,408</u>
Current assets			
Accounts receivable	8	232,395	172,041
Loans receivable	9	1,800	1,200
Prepayments, deposits and other receivables		17,854	12,521
Investments		6,534	11,528
Pledged bank deposits		757	611
Bank balances – trust and segregated accounts		298,697	285,020
Bank balances (general) and cash		39,855	77,121
		<u>597,892</u>	<u>560,042</u>
Current liabilities			
Accounts payable	10	367,436	335,790
Accrued liabilities and other payables		44,876	28,726
Amounts due to fellow subsidiaries		–	2,400
Obligations under finance leases – amount due within one year		176	271
Bank borrowings		87,394	99,064
		<u>499,882</u>	<u>466,251</u>
Net current assets		<u>98,010</u>	<u>93,791</u>
		<u>161,076</u>	<u>172,199</u>

	Notes	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Capital and reserve			
Share capital	11	12,576	10,076
Reserves	12	21,831	(38,221)
		34,407	(28,145)
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		–	244
Convertible note		125,100	200,100
Interest payable on convertible note to immediate holding company		1,569	–
		126,669	200,344
		161,076	172,199

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2003 HK\$'000	2002 HK\$'000 (restated)
Net cash (used in) from operating activities	(25,365)	14,108
Net cash from (used in) investing activities	1,255	(13,465)
Net cash used in financing activities	(13,156)	(18,444)
Net decrease in cash and cash equivalents	(37,266)	(17,801)
Cash and cash equivalents at beginning of period	77,121	114,048
Cash and cash equivalents at end of period	39,855	96,247
Analysis of balances of cash and cash equivalents		
Cash and cash equivalents as stated in 2002 interim report		(8,874)
Effect of reclassification of pledged deposits		(12,200)
Effect of reclassification of bank borrowing		117,321
Cash and cash equivalents as restated		96,247

STATEMENT OF CHANGES IN EQUITY

	Unaudited	
	six months ended	
	30 June	
	2003	2002
	HK\$'000	HK\$'000
At 1 January	(28,145)	179,060
Exercise of convertible note	75,000	–
Net loss for the period	(12,448)	(26,773)
At 30 June	<u>34,407</u>	<u>152,287</u>

Notes:

(1) 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.

(2) Adoption of SSAP and change in accounting policy

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 2002, except as described below:

Income Taxes

In the current period, the Group has adopted, for the first time, the SSAP 12 (Revised) “Income Taxes”. Under SSAP 12 (Revised), the principal effect is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method. Pursuant to the method, a liability was recognised in respect of timing difference arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in computation of taxable profit with limited exceptions.

The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

(3) Turnover

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fees and commission income	30,284	47,950	60,764	96,697
Interest income	1,030	6,237	3,924	16,300
Loss on trading of securities, options and futures	(1,841)	(1,120)	(5,007)	(1,120)
	<u>29,473</u>	<u>53,067</u>	<u>59,681</u>	<u>111,877</u>

(4) 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. These divisions are the basis on which the Group reports its primary segment information.

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

Income statement for the six months ended 30 June 2003

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
TURNOVER	49,197	3,924	6,560	59,681
RESULT				
Segment (loss) profit	406	645	(1,803)	(752)
Other revenue				3,472
Unallocated corporate expenses				(15,168)
Loss before taxation				(12,448)
Taxation				-
Net loss attributable to shareholders				(12,448)

Income statement for the six months ended 30 June 2002

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

(5) Taxation

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

The net deferred tax asset has not been recognised in the financial statements due to the unpredictability of future taxable profit streams.

At the balance sheet date, the components of the unprovided deferred taxation assets (liabilities) were as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated taxation losses	68,865	66,650
Excess of tax allowances over depreciation	(6,800)	(7,842)
	<u>62,065</u>	<u>58,808</u>

The amounts of unprovided deferred taxation credit (charge) for the period/year were as follows:

	For the six months ended 30 June 2003 (Unaudited) HK\$'000	For the year ended 31 December 2002 (Audited) HK\$'000
Tax effect of timing difference because of:		
Estimated tax losses arising	2,215	12,312
Shortfall (Excess) of tax allowances over depreciation	1,042	(1,296)
	<u>3,257</u>	<u>11,016</u>

(6) Loss per share

The calculation of basic loss per share for the three months and the six months ended 30 June 2003 together with the comparative figures for 2002 is based on the following data:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	2003	2002	2003	2002
Net loss attributable to shareholders	(2,304)	(20,901)	(12,448)	(26,773)
Weighted average number of ordinary shares for the purpose of basic loss per share	125,759,408	100,759,408	114,847,806	100,759,408

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.

(7) Intangible assets

	HK\$'000
COST	
At 1 January 2003 and at 30 June 2003	15,039
AMORTISATION	
At 1 January 2003	2,287
Charged for the period	915
At 30 June 2003	3,202
NET BOOK VALUE	
At 30 June 2003 (unaudited)	11,837
At 31 December 2002 (audited)	12,752

Intangible assets represent trading rights in the exchanges in Hong Kong and are amortised over 10 years.

(8) Accounts receivable

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	20,873	5,254
Cash clients	24,561	29,433
Margin clients	157,510	100,467
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	29,451	36,887
	<u>232,395</u>	<u>172,041</u>

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

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

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged 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 is an amount of approximately HK\$9,318,000 (At 31 December 2002: HK\$8,862,000) due from company controlled by Kwan Pak Hoo Bankee. The amount is secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients. The maximum amount outstanding therefrom during the period was HK\$9,318,000 (For the year ended 31 December 2002: HK\$28,575,000).

(9) Loans receivable

The maturity of the loans receivable is as follows:

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Overdue	600	–
Matured within 180 days	600	600
Matured between 181 days to 365 days	600	600
	<hr/>	<hr/>
Matured within one year	1,800	1,200
Matured over one year	586	2,217
	<hr/>	<hr/>
	2,386	3,417

(10) Accounts payable

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	209,416	158,188
Margin clients	42,635	28,053
Accounts payable to clients arising from the business of dealing in futures and options	115,385	149,549
	<hr/>	<hr/>
	367,436	335,790

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

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of Directors, the aged 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 are margin deposits received from clients for their trading of futures and options. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of futures and options dealing.

(11) Share capital

	Note	Number of shares '000	Amount HK\$'000
AUTHORISED			
Ordinary shares of HK\$0.10 each at 1 January 2003 and 30 June 2003		500,000	50,000
ISSUED AND FULLY PAID			
Ordinary shares of HK\$0.10 each at 1 January 2003		100,760	10,076
Exercise of convertible note	(a)	25,000	2,500
Ordinary shares of HK\$0.10 each at 30 June 2003		125,760	12,576

Note:

- (a) On 21 March 2003, convertible note amounting to HK\$75,000,000 was converted into 25,000,000 shares in the Company at a conversion price of HK\$3.00 per share.

(12) Reserves

	Notes	Unaudited three months ended 30 June				2002
		2003				Total HK\$'000
		Share	Contributed	Accumulated	Total	
		premium	surplus	losses		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Beginning of the three months period		72,500	289,764	(338,129)	24,135	(28,332)
Increased due to capital reduction		-	-	-	-	191,444
Reduction of share premium transferred to contributed surplus	b(i)	(72,500)	72,500	-	-	-
Amount transferred to write off accumulated losses	b(ii)	-	(211,069)	211,069	-	-
Net loss for the period		-	-	(2,304)	(2,304)	(20,901)
End of the three months period		-	151,195	(129,364)	21,831	142,211

	Notes	Unaudited six months ended 30 June				2002
		2003				Total HK\$'000
		Share	Contributed	Accumulated	Total	
		premium	surplus	losses		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Beginning of the six months period		-	289,764	(327,985)	(38,221)	(22,460)
Increased due to capital reduction		-	-	-	-	191,444
Share premium arising from exercise of convertible note	(a)	72,500	-	-	72,500	-
Reduction of share premium transferred to contributed surplus	(b)(i)	(72,500)	72,500	-	-	-
Amount transferred to write off accumulated losses	(b)(ii)	-	(211,069)	211,069	-	-
Net loss for the period		-	-	(12,448)	(12,448)	(26,773)
End of the six months period		-	151,195	(129,364)	21,831	142,211

Notes:

- (a) Please refer to the note of share capital above.
- (b) (i) Pursuant to a special resolution passed on 5 May 2003, the share premium account of the Company as of 31 March 2003 was reduced by an amount of HK\$72,500,000 and such amount was transferred to the contributed surplus account of the Company.
- (ii) Pursuant to the minutes of a directors' meeting held on 5 May 2003, an amount of HK\$211,069,010 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2002.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2003 (2002: Nil).

REVIEW AND OUTLOOK

Financial Review

For the six months ended 30 June 2003, our Group recorded a 46.7% decrease in turnover to HK\$59.7 million when compared with the same period last year. The decrease in turnover reflected the poor investment sentiment in the local stock market as the first half of this year saw a 5.9% drop in the turnover of securities trading on the Hong Kong Stock Exchange compared with the same period last year. During the period, the Group suffered a net loss attributable to shareholders of HK\$12.4 million, representing a 53.5% improvement from the loss of HK\$26.7 million for the same period last year. This was primarily attributable to the cost reduction after the rationalisation of our branch network in the first quarter and to the Group's stringently adopted credit control policy amid the declining economy to avoid the need to make any provision for doubtful debts as it did in the same period last year.

The Group's total shareholders' equity amounted to HK\$34.4 million on 30 June 2003 as compared to a deficit of HK\$28.1 million at the end of the last year. The improvement was mainly attributed to the conversion of a convertible note amounting to HK\$75.0 million into shareholders' equity at a conversion price of HK\$3.00 per share in March 2003.

On 30 June 2003, our cash and bank balances totalled HK\$339.3 million as compared to HK\$362.8 million on 31 December 2002. The reduction was primarily due to the mild increase in margin financing to our clients as the investment sentiment had improved significantly towards the end of the period and the repayment of bank borrowings. However, our liquidity ratio remained healthy at 1.2 times on 30 June 2003 which was maintained at the same ratio on 31 December 2002.

Our total bank borrowings on 30 June 2003 were HK\$87.4 million, which were drawn to finance securities margin financing to our clients. Most of these bank borrowings were collateralised by our margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Apart from these, which were largely of a back-to-back nature, we had no other bank borrowings as at the end of the period as we exercised prudence to ensure that our financial resources would not be in any way strained.

Together with the convertible note of HK\$125.1 million, our interest bearing borrowings to shareholders' equities were 6.2 times on 30 June 2003. 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.

As of the end of the period, our Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. Cash deposits of approximately HK\$0.8 million were pledged to secure general banking facilities granted to a subsidiary for a bank guarantee. Save as aforesaid, we had no other material contingent liabilities.

There was no significant investment held during the period under review. Our Group did not make any material acquisitions or disposals during the six months ended 30 June 2003. We do not have any future plans for material investments or capital assets.

Industry Review

The prolonged economic hardships in Hong Kong remained unabated in the first half of 2003. Consumer spending and hence investment sentiment were further aggravated by the outbreaks of Severe Acute Respiratory Syndrome ("SARS") and the US-Iraqi War, deepening both the global and local depressions. The average daily turnover for the first six months of 2003 at the main board of the Hong Kong Stock Exchange was HK\$6,956.0 million; down from HK\$7,341.0 million during the same period in 2002.

The first quarter of the year was most characterised with uncertainties, with the Hang Seng Index recorded year-on-year drops by 14%, 13% and 22% respectively in January, February and March. Notwithstanding these backdrops, the April 1 removal of minimum commissions did not trigger major price war in the market, which helped clear some market uncertainties in the second quarter.

Business Review

As discussed in our previous reports, we anticipated the depressed investment sentiment and deteriorating market environment, we have therefore been focusing on maintaining our cost leadership to ensure our good stand for the future. During the period under review, we rationalised our branch network and maintained a lean operating structure to include two customer service centres and our headquarters at the Millennium Plaza in Central, so as to continue to service our high net worth clients with personalised professional service over a wide range of investment products. As a result, our operating costs in the first six months decreased by 44.8% to HK\$60.8 million, as compared with the same period last year.

On the other hand, we have also been active in diversifying our income stream from pure equities broking. During the period under review, our major business attributes were broking, financing and corporate finance, which contributed to 82.4%, 6.6% and 11.0% of the consolidated turnover respectively in the period.

The mediocre performance of our stock broking business during the period was in line with the market doldrums. Thanks to our early moves to reduce reliance on equities broking, our commodities broking business (included in the brokerage income above) recorded an almost three-fold increase in revenues as compared to the same period last year.

Our corporate finance and financial advisory business has also been steady. During the period under review, we sponsored and underwrote IPOs for our clients in Hong Kong. Further, we acted as the financial advisor or independent financial advisor to several listed companies on the main board or GEM board in Hong Kong, and advised them on their corporate finance transactions including rights issue, connected transactions and fund raising exercises as placing. In addition, we continued to be the sponsor of a number of GEM-listed companies.

Outlook

With the diminishing SARS effects, the local consumption promotion efforts, and the gradual pick-up of the US market, both the local consumer spending and the investment sentiment showed signs of recovery since June 2003. The average daily turnover by volume in June recorded a 25% year-on-year increase.

We are confident that our existing cost structure has reached an optimal level to help us weather the forthcoming challenging environment and to empower us to grow even stronger. Our foremost priority will remain in preserving our capital strength and maintaining our cost leadership, which allow us to capitalise on the possible market recovery.

We will also continue to diversify and explore other financial services related incomes. With China and Hong Kong signing the Closer Economic Partnership Arrangement (CEPA) protocol, we believe it will further facilitate our development into China. We have been teaming up with mainland partners in developing the brokerage, corporate finance and financial advisory businesses. We will continue to leverage on our strength in assisting quality mid- to smaller-cap companies to raise funds in Hong Kong. We will also leverage on our financial services expertise to create synergies with our Mainland partners, so as to capitalise on the vast development potentials in China.

As we have been emphasising the importance of diversifications, we acquired an independent financial advisory consultancy in July 2003 - Frederick Taylor, to further establish ourselves as the financial services house of choice for our clients. We will continue to expand our product range and customer base through enhancing the cross-selling synergies of our products and services. We started establishing our foothold in this low-penetrated financial planning market so as to tap its huge market potentials. Recent figures from the Hong Kong Investment Fund Association showed that only 9.5% of the adult population in Hong Kong in 2002 engaged in investments in mutual funds, as compared to 50-65% in the western countries. Moreover, as the aging population in Hong Kong further intensifies, people would inevitably start planning for their short- and long-term capital requirements to fulfill their financial needs in various life stages, e.g. children's education, medical plans, retirement plans. With details of CEPA further reveals, we will also be keeping our eyes on the Mainland market to capture its vast potentials in fulfilling people's investment needs.

In addition to expanding our product range, customer base and markets, we will also continue to improve our services. One of the service enhancements was the launch of combined statement in July 2003. We consolidated the asset statements of our wide spectrum of financial services into one single user-friendly status report to show client's current asset allocation with us, allowing clients to check their financial portfolio at a glance and plan their asset allocation at ease. Clients can even choose between receiving hard copies of asset statements or in the form of e-mails.

As we further diversify our business, we will continue to grow our core brokerage business so as to gain greater market share. We believe that our current lean operations, together with effective cost control measures, will further strengthen ourselves, enabling us to capitalise on any possible market recovery.

EMPLOYEE INFORMATION

At 30 June 2003, the Group had 147 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. The total amount of remuneration cost of employees of the Group for the six months under review was approximately HK\$19.1 million. We continue to organise training to employees in the areas of mandatory professional development programmes required by regulatory bodies, customer services and language training.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2003, the interests or short positions of the Directors and chief executive of the Company 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 Futures Ordinance ("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 pursuant to rule 5.40 of the GEM Listing Rules were as follows:

A. The Company

1. Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	75,463,239*	60.01

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

2. Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options outstanding as at 1 January 2003 and 30 June 2003	Percentage to issued shares as at 30 June 2003 (%)
Law Ping Wah Bernard	26/3/2001	1/10/2001 - 30/9/2004	2.20	1,000,000	0.80
Law Ka Kin Eugene	26/3/2001	1/10/2001 - 30/9/2004	2.20	1,250,000	0.99
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 - 30/9/2004	2.20	1,000,000	0.80
Miao Wen Hao Felix	26/3/2001	1/10/2001 - 30/9/2004	2.20	750,000	0.60
				4,000,000	3.19

Notes:

- (1) 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.
- (2) No option was granted, exercised or cancelled during the period.

3. Aggregate long positions in the shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2003 (%)
Kwan Pak Hoo Bankee	75,463,239	–	75,463,239	60.01
Law Ping Wah Bernard	–	1,000,000	1,000,000	0.80
Law Ka Kin Eugene	–	1,250,000	1,250,000	0.99
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.80
Miao Wen Hao Felix	–	750,000	750,000	0.60
	75,463,239	4,000,000	79,463,239	63.20

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	156,952,376*	42.94
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.39
Law Ka Kin Eugene	Beneficial owner	125,000	–	0.03
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.74
Cheng Shu Shing Raymond	Beneficial owner	1,000,000	–	0.27
		8,921,200	156,952,376	45.37

* 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.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			Percentage to issued
				outstanding		outstanding	shares
				as at 1 January 2003	lapsed during the period	as at 30 June 2003	as at 30 June 2003 (%)
Kwan Pak Hoo Bankee	2/5/2002	2/5/2002 - 30/4/2003	1.32	3,000,000	(3,000,000)	–	–
Law Ping Wah Bernard	2/5/2002	2/5/2002 - 30/4/2003	1.32	3,000,000	(3,000,000)	–	–
Law Ka Kin Eugene	6/11/2000	16/5/2001 - 15/5/2003	5.40	500,000	(500,000)	–	–
	2/5/2002	2/5/2002 - 30/4/2003	1.32	3,000,000	(3,000,000)	–	–
Miao Wen Hao Felix	10/1/2000	10/1/2001 - 9/1/2003	16.00	500,000	(500,000)	–	–
	2/5/2002	1/11/2002 - 31/10/2003	1.32	500,000	–	500,000	0.14
Kwok Oi Kuen Joan Elmond	6/11/2000	16/5/2001 - 15/5/2003	5.40	750,000	(750,000)	–	–
	2/5/2002	2/5/2002 - 30/4/2003	1.32	3,000,000	(3,000,000)	–	–
				14,250,000	(13,750,000)	500,000	0.14

(c) Aggregate long positions in the shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2003 (%)
Kwan Pak Hoo Bankee	156,952,376	-	156,952,376	42.94
Law Ping Wah Bernard	5,096,200	-	5,096,200	1.39
Law Ka Kin Eugene	125,000	-	125,000	0.03
Miao Wen Hao Felix	-	500,000	500,000	0.14
Kwok Oi Kuen Joan Elmond	2,700,000	-	2,700,000	0.74
Cheng Shu Sing Raymond	1,000,000	-	1,000,000	0.27
	<u>165,873,576</u>	<u>500,000</u>	<u>166,373,576</u>	<u>45.51</u>

2. Pricerite Group Limited ("Pricerite")

(a) Long positions in the shares

Name	Capacity	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	70,971,614*	68.35

* The shares were held by CIGL and its subsidiaries. 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.

(b) Long positions in the underlying shares - options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			outstanding as at 30 June 2003	Percentage to issued shares as at 30 June 2003 (%)
				outstanding	adjusted	lapsed		
				as at 1 January 2003	on 6 May 2003	during the period		
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 - 31/1/2004	4.20	20,000,000	(19,000,000)	-	1,000,000	0.96
Law Ping Wah Bernard	12/6/2001	16/6/2001 - 15/6/2003	4.20	7,200,000	(6,840,000)	(360,000)	-	-
	17/1/2002	1/2/2002 - 31/1/2004	4.20	13,000,000	(12,350,000)	-	650,000	0.63
Kwok Oi Kuen Joan Elmond	17/1/2002	1/2/2002 - 31/1/2004	4.20	20,000,000	(19,000,000)	(1,000,000)	-	-
				<u>60,200,000</u>	<u>(57,190,000)</u>	<u>(1,360,000)</u>	<u>1,650,000</u>	<u>1.59</u>

(c) Aggregate long positions in the shares and the underlying shares

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2003 (%)
Kwan Pak Hoo Bankee	70,971,614	1,000,000	71,971,614	69.31
Law Ping Wah Bernard	-	650,000	650,000	0.63
	<u>70,971,614</u>	<u>1,650,000</u>	<u>72,621,614</u>	<u>69.94</u>

Save as disclosed above, as at 30 June 2003, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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 2003 were as follows:

Date of grant	Exercise price per share (HK\$)	Exercise period	Notes	Number of options		
				outstanding as at 1 January 2003	lapsed during the period (Note 3)	outstanding as at 30 June 2003
Directors						
26/3/2001	2.20	1/10/2001 - 30/9/2004	(1)&(2)	4,000,000	-	4,000,000
				4,000,000	-	4,000,000
Employees						
26/3/2001	2.20	1/10/2001 - 30/9/2004	(2)	1,000,000	-	1,000,000
27/3/2001	2.20	1/10/2001 - 30/9/2004	(2)	645,000	(225,000)	420,000
				1,645,000	(225,000)	1,420,000
				5,645,000	(225,000)	5,420,000

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".
- (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.
- (3) The lapsed options were due to cessation of employment of participants with the Group.
- (4) No option was granted, exercised or cancelled during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the persons/companies, other than a Director or chief executive of the Company, who had interests or 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 were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (Note 1)	Trustee of a discretionary trust	75,463,239	60.01
Cash Guardian (Note 1)	Interest in a controlled corporation	75,463,239	60.01
CASH (Note 1)	Interest in a controlled corporation	75,463,239	60.01
CIGL (Note 1)	Beneficial owner	75,463,239	60.01
Yasumitsu Shigeta (Note 2)	Beneficial owner, family interest and interest in a controlled corporation	18,700,000	14.87
Hikari Power Limited (Note 2)	Interest in a controlled corporation	18,700,000	14.87
Hikari Tsushin Inc (Note 2)	Beneficial owner	18,700,000	14.87

Notes:

- (1) The shares were held by CIGL, a wholly-owned subsidiary of CASH. CASH was owned as to approximately 42.94% 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 Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.
- (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 SFO.

Save as disclosed above, as at 30 June 2003, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company.

BOARD PRACTICES AND PROCEDURES

During the six months ended 30 June 2003, 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2003, 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 2003