

CASH Financial Services Group Limited
2004 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.

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This report, 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CASH Financial Services Group Limited

Summary

- Encouraging interim results with turnover soaring 102.3% to HK\$120.7 million
- Registered a net profit attributable to shareholders of HK\$26.1 million
- Benefiting from improved market sentiments, our focused strategy of product diversification, and a strengthened capital base
- Deriving synergies from integration of broking and wealth management businesses

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 2004 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	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	(2)	47,676	29,473	120,712	59,681
Other operating income		2,364	2,651	4,415	3,472
Salaries, allowance and commission		(24,074)	(13,439)	(57,183)	(33,281)
Other operational and administrative expenses		(16,954)	(13,182)	(31,051)	(27,476)
Finance costs		(731)	(1,236)	(2,901)	(2,717)
Depreciation and amortisation		(5,373)	(5,102)	(9,902)	(10,547)
Write back of bad and doubtful debts		3,013	-	3,013	-
Loss on disposal of property and equipment		-	(1,469)	-	(1,580)
Profit (Loss) before taxation		5,921	(2,304)	27,103	(12,448)
Taxation	(4)	(250)	-	(250)	-
Profit (Loss) after taxation and before minority interests		5,671	(2,304)	26,853	(12,448)
Minority interests		(345)	-	(727)	-
Net profit (loss) attributable to shareholders		5,326	(2,304)	26,126	(12,448)
Earnings (Loss) per share	(5)				
- Basic		0.9 cent	(0.8) cent	4.7 cents	(4.8) cents
- Diluted		0.9 cent	N/A	4.7 cents	N/A

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CONSOLIDATED BALANCE SHEET

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property and equipment		25,081	29,501
Goodwill		4,879	5,903
Intangible assets	(6)	10,007	10,922
Other assets		10,831	12,187
		50,798	58,513
Current assets			
Accounts receivable	(7)	408,867	489,557
Loans receivable	(8)	6,033	700
Prepayments, deposits and other receivables		15,920	10,651
Amounts due from fellow subsidiaries		–	1,786
Investments		99,013	47,068
Bank deposits under conditions		16,758	16,565
Bank balances – trust and segregated accounts		387,163	382,056
Bank balances (general) and cash		50,349	41,715
		984,103	990,098
Current liabilities			
Accounts payable	(9)	514,094	563,862
Accrued liabilities and other payables		29,292	28,529
Amounts due to fellow subsidiaries		85	–
Taxation payable		484	234
Obligations under finance leases – amount due within one year		190	194
Bank borrowings		181,146	212,374
		725,291	805,193
Net current assets			
		258,812	184,905
		309,610	243,418

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
Capital and reserves			
Share capital	(10)	75,456	37,728
Reserves	(11)	167,922	80,148
		243,378	117,876
Minority interests		1,113	386
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		19	56
Convertible note		65,100	125,100
		65,119	125,156
		309,610	243,418

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Net cash from (used in) from operating activities	56,206	(25,365)
Net cash (used in) from investing activities	(55,680)	1,255
Net cash from (used in) financing activities	8,108	(13,156)
Net increase (decrease) in cash and cash equivalents	8,634	(37,266)
Cash and cash equivalents at beginning of period	41,715	77,121
Cash and cash equivalents at end of period	50,349	39,855
Analysis of balances of cash and cash equivalents Bank balances (general) and cash	50,349	39,855

STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30 June	
	2004	2003
	HK\$'000	<i>HK\$'000</i>
At 1 January	117,876	(28,145)
Exercise of convertible note	–	75,000
Issue of rights shares	101,865	–
Share issue expenses	(2,489)	–
Net profit (loss) for the period	26,126	(12,448)
At 30 June	243,378	34,407

Notes:

(1) BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with Statement of Standard Accounting Practice 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2003.

The condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2003.

The unaudited consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

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(2) TURNOVER

	Unaudited three months ended 30 June 2004		Unaudited six months ended 30 June 2004	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Fees and commission income	48,370	30,284	108,855	60,764
Interest income	8,727	1,030	16,918	3,924
Loss on trading of securities, option, futures and leveraged foreign exchange contracts	(9,421)	(1,841)	(5,061)	(5,007)
	47,676	29,473	120,712	59,681

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

Principal activities are as follows:

Broking	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products and their 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 2004

	Broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>101,290</u>	<u>16,918</u>	<u>2,504</u>	<u>120,712</u>
RESULT				
Segment profit (loss)	<u>22,146</u>	<u>9,744</u>	<u>(4,737)</u>	27,153
Other operating income				4,415
Unallocated corporate expenses				<u>(4,465)</u>
Profit before taxation				27,103
Taxation				<u>(250)</u>
Profit after taxation and before minority interests				<u>26,853</u>

Income statement for the six months ended 30 June 2003

	Broking <i>HK\$'000</i>	Financing <i>HK\$'000</i>	Corporate finance <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover	<u>49,197</u>	<u>3,924</u>	<u>6,560</u>	<u>59,681</u>
RESULT				
Segment (loss) profit	<u>406</u>	<u>645</u>	<u>(1,803)</u>	(752)
Other operating income				3,472
Unallocated corporate expenses				<u>(15,168)</u>
Loss before taxation				(12,448)
Taxation				<u>-</u>
Loss after taxation and before minority interests				<u>(12,448)</u>

(4) TAXATION

Hong Kong profits tax for the period in 2004 has been provided at the rate of 17.5% on the estimated assessable profits for the Group companies after offsetting the respective tax losses brought forward.

No provision for Hong Kong profits tax for the period in 2003 has been made as the Group companies incurred tax losses for the period.

No deferred tax asset in respect of tax losses has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(5) EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share for the three months and the six months ended 30 June 2004 together with the comparative figures for 2003 is based on the following data:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Profit (Loss) for the purpose of basic and diluted earnings (loss) per share	5,326	(2,304)	26,126	(12,448)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	620,810,322	282,356,343	555,391,021	257,857,499
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible note	213,016	N/A	213,016	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	621,023,338	282,356,343	555,604,037	257,857,499

The weighted average number of ordinary shares for the three months and six months ended 30 June 2003 for the purpose of basic loss per share has been adjusted for the two rights issue which took effect on 25 November 2003 and 17 May 2004.

No diluted loss per share for 2003 has been presented because the exercise prices of the options and the conversion price of the convertible note of the Company were higher than the average market price of the Company's shares during the period.

(6) INTANGIBLE ASSETS

	<i>HK\$'000</i>
<hr/>	
COST	
At 1 January 2004 and 30 June 2004	15,039
AMORTISATION	
At 1 January 2004	4,117
Charge for the period	915
	<hr/>
At 30 June 2004	5,032
NET BOOK VALUES	
At 30 June 2004 (unaudited)	10,007
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At 31 December 2003 (audited)	10,922
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Intangible assets represent trading rights in the exchanges in Hong Kong and are amortised over 10 years.

(7) ACCOUNTS RECEIVABLE

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
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Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	76,238	93,675
Cash clients	39,123	49,975
Margin clients	228,629	285,895
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	60,503	56,045
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	3,569	2,909
Accounts receivable arising from the business of provision of corporate finance services	805	1,058
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	408,867	489,557
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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 accounts receivable arising from the business of dealing in securities and equity options 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 due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	Balance at 30.06.2004 HK\$'000	Balance at 31.12.2003 HK\$'000	Maximum amount outstanding during the period HK\$'000
Cash Guardian Limited ("Cash Guardian")	9,800	9,732	10,606

The above balances are 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.

In respect of the commission receivable from brokerage of mutual funds and insurance-linked investment plans and products as well as accounts receivable arising from the business of provision of corporate finance services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0-30 days	3,256	2,350
31-60 days	82	9
61-90 days	212	189
Over 90 days	824	1,419
	4,374	3,967

(8) LOANS RECEIVABLE

The maturity of the loans receivable is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Matured within 180 days	6,033	700

(9) ACCOUNTS PAYABLE

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	327,146	373,929
Margin clients	50,413	69,289
Accounts payable to clients arising from the business of dealing in futures and options	134,840	120,644
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	1,695	—
	514,094	563,862

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, options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. 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 Directors, the aged analysis does not give additional value in view of the nature of these businesses.

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(10) SHARE CAPITAL

	<i>Notes</i>	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
<i>Authorised:</i>			
At 1 January 2004		500,000	50,000
Increase in authorised share capital	(a)	<u>500,000</u>	<u>50,000</u>
At 30 June 2004		<u>1,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>			
At 1 January 2004		377,278	37,728
Increase due to rights issue	(b)	<u>377,278</u>	<u>37,728</u>
At 30 June 2004		<u>754,556</u>	<u>75,456</u>

Notes:

- (a) Pursuant to an ordinary resolution passed on 23 April 2004, the authorised share capital of the Company was increased from HK\$50,000,000 to HK\$100,000,000 by the creation of an additional 500,000,000 shares of HK\$0.10 each.
- (b) On 17 May 2004, 377,278,224 shares of HK\$0.10 each were issued by way of a rights issue at a subscription price of HK\$0.27 per share. The proceeds before expenses, totalled approximately HK\$101.9 million, as to approximately 70% was used to support its expanding share margin financing portfolio, and as to approximately 15% was used to facilitate correspondingly growth in its securities brokerage business in line with market development and the balance for general working capital purposes.

(11) RESERVES

		Unaudited three months ended 30 June 2004				2003
	Note	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of the three months period		-	186,377	(85,429)	100,948	24,135
Issue of rights shares	(a)	64,137	-	-	64,137	-
Share issue expenses	(a)	(2,489)	-	-	(2,489)	-
Net profit (loss) for the period		-	-	5,326	5,326	(2,304)
End of the three months period		61,648	186,377	(80,103)	167,922	21,831
		Unaudited six months ended 30 June 2004				2003
	Note	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of the six months period		-	186,377	(106,229)	80,148	(38,221)
Share premium arising from conversion of convertible note		-	-	-	-	72,500
Issue of rights shares	(a)	64,137	-	-	64,137	-
Share issue expenses	(a)	(2,489)	-	-	(2,489)	-
Net profit (loss) for the period		-	-	26,126	26,126	(12,448)
End of the six months period		61,648	186,377	(80,103)	167,922	21,831

Note:

(a) Please refer to Note (b) of "Share Capital" above.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004 (2003: Nil).

REVIEW AND OUTLOOK

Financial Review

For the six months ended 30 June 2004, our Group recorded a 102.3% increase in turnover to HK\$120.7 million compared with the same period last year. The increase in turnover mirrored the improving investment sentiment in the local stock market as the first half of this year saw a 140.0% improvement in the turnover of securities trading on the Hong Kong Stock Exchange compared with the same period last year. During the period, the Group enjoyed a net profit attributable to shareholders of HK\$26.1 million, representing a turnaround from the loss of HK\$12.4 million for the same period last year. This was attributed to a combination of factors, the increased trading volume in the general market, the ability to maintain cost control, and most importantly, the expansion into diverse business lines - wealth management, commodities trading, and investment banking. These have allowed us to weather adverse market conditions and reap benefits in good times.

The Group's total shareholders' equity amounted to HK\$243.4 million on 30 June 2004 as compared to HK\$117.9 million at end of last year. The improvement was mainly attributed to the completion of the 1-for-1 rights issue in May that raised approximately HK\$101.9 million (before expenses). This capital raising exercise has strengthened our capital base and ensured the Group is in the best position to capture opportunities in a now more buoyant market.

On 30 June 2004, our cash and bank balances totalled HK\$454.3 million as compared to HK\$440.3 million on 31 December 2003. This is due to an increase in clients' deposits and operating profit during the period under review. Moreover, our liquidity ratio on 30 June 2004 was 1.4 times, an improvement over the 1.2 times on 31 December 2003.

Our total bank borrowings on 30 June 2004 were HK\$181.1 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 for the purpose of securing 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.

In the second quarter of 2004, HK\$60.0 million of convertible note had been repaid by the Group, reducing the outstanding balance of the convertible note to HK\$65.1 million. Together with this convertible note, the ratio for our interest bearing borrowings to shareholders' equities was reduced to 1.0 on 30 June 2004, from 2.9 times on 31 December 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. Bank deposits of approximately HK\$16.8 million were held under conditions. Among these deposits, approximately HK\$0.8 million was pledged to secure a bank guarantee issued for a subsidiary. Besides, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenant to maintain deposits of not less than HK\$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. Therefore, a bank deposit of approximately HK\$16.0 million was held for this purpose. Save as aforesaid, we had no other material contingent liabilities.

At 30 June 2004, the Group was holding a portfolio of listed investments with market value of approximately HK\$99.0 million and a loss on investment of HK\$5.1 million (including unrealised loss marked to the then market prices) was recorded for the period. The investments were held for short term purposes. Save as aforesaid, the Group had no other 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 2004. We do not have any future plans for material investments or capital assets.

Industry Review

The Hong Kong economy continued to gather momentum on the back of the US economic recovery and the strong rebound in domestic consumption. The retail sector was in particular exhibiting a strong rebound benefiting from strong tourist spending and an improving domestic economy. With the improvement of consumer spending, investment sentiment improved and the average daily turnover by value for the first six months of 2004 on the Hong Kong Stock Exchange increased to HK\$16,508 million from HK\$7,110 million during the same period in 2003.

Business Review

The persistent pursuit of our strategy on product diversification and our focus on cost leadership continued to be our primary drivers of our business growth during the first half of the year. The market recovery was, however, hampered by a number of external uncertainties emerging during the second quarter. These include the concern of an overheating economy in Mainland China and its ability to engineer an economic soft-landing; the rising interest rate pressure in the US as the US economy continued to show signs of recovery; and the rising energy prices.

During the period, despite rising costs resulting from the recovering Hong Kong economy, we managed to maintain our cost leadership objective to keep the cost structure lean and effective.

At the same time, we continued to diversify our product offerings so as to further establish ourselves as the financial services house of choice for our clients.

As part of our wealth management and brokerage integration initiatives, an investment centre at Hunghom was opened in May. Since its opening, a number of investment seminars were held for the local community and subsequently attracted many prospective clients to sign up for our service. In addition, we have also put in an investment centre in our main office for clients to research and gather investment information.

The growth of our wealth management business, CASH Frederick Taylor, acquired in July 2003, is on course. As the business continues to grow, in less than twelve months, its contribution to our Group has exceeded 12% in the second quarter. We will continue to expand our customer base and enhance product offerings by leveraging on the cross-selling synergy within the Group.

Our investment banking division participated in a number of major IPOs in the Hong Kong market in the second quarter. We expect our investment banking division to remain active in the IPO market as a sponsor and underwriter in the second half.

For the six months under review, our turnover was made up of 83.9% from fees and commission income from our brokerage and wealth management businesses, with the remaining 14.0% and 2.1% from financing business and investment banking, respectively.

Outlook

On the external front, the US and the Japanese economies continue to show strong signs of recovery, strengthening the outlook for exports. The Chinese economy appears to be slowing but its growth rate appears to be sustainable at still a highly respectable rate of growth between 7 to 8%. Nevertheless, the tightening measures introduced since the second half of 2003 should have an impact on the economy, particularly the seemingly overheated sectors such as steel, aluminium, cement and property. Rising inflation in Mainland China might lead to interest rate hikes in the second half in 2004. In the US, the recent and expected hikes in interest rates will likely cause interest rates in Hong Kong and most part of the region to follow.

On the domestic front, the economy continues to show signs of strengthening and deflationary pressure seems to be easing. Unfortunately, high oil prices will likely have a dampening effect on growth.

We expect that we shall continue to see fund-raising and financial advisory activities to rise as more Chinese private-sector companies express interest to tap the capital markets abroad. This will boost the capital market activities and demand for professional services in Hong Kong.

For our brokerage business, we shall continue to maintain our vigilant cost management and control and at the same time continue our efforts to diversify our client base. We aim to continue with our plans to increase the integration of our brokerage services and products with our wealth management business to increase income and build resilience against the cyclical nature of the brokerage business.

We plan to further expand our wealth management business to achieve our goal of diversifying our income streams. Savings-to-income ratio in Hong Kong is among the highest in the region. The penetration of wealth management service is still low in Hong Kong relative to that in the mature economies in the West. We are confident that the growth potential for the wealth management business is strong.

Mainland China's long-term economic outlook remains bright despite the near-term uncertainty over its ability to engineer an economic soft-landing. We anticipate that the Chinese authorities will focus more on the quality rather than the quantity of growth. Against a likely backdrop of a sustainable rate of economic growth in the range of 7 to 8%, we expect demand for equity funds, particularly from Chinese private-sector companies, will be strong. Hong Kong, with its unique position and a good understanding of the Mainland China, will continue to be the preferred destination for Mainland companies to raise funds through both the IPO market and secondary market. Our investment banking division is strategically-positioned to capture these opportunities, especially in the SME (small and medium sized enterprises) segment, where we have developed a growing presence as well as a proven track record.

As we emphasise the importance of business and revenue diversification, we will continue to position ourselves as the financial services house of choice and expand our product offerings and customer base through cross-selling synergies and new investment opportunities.

EMPLOYEE INFORMATION

At 30 June 2004, the Group had 192 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 period under review was approximately HK\$21.1 million. We continue to organise training to employees in areas such as continuous professional training programmes required by regulatory bodies and various product knowledge training programmes.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2004, 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 5.46 of the GEM Listing Rules were as follows:

A. The Company

(a) Long positions in the shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	-	386,827,434*	51.27
Wong Kin Yick Kenneth	Beneficial owner	1,620,000	-	0.21
Cheng Shu Shing Raymond	Beneficial owner	2,500,000	-	0.33
		<u>4,120,000</u>	<u>386,827,434</u>	<u>51.81</u>

* 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 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 (Note (1)) (HK\$)	Notes	Number of options			Percentage
					outstanding	adjusted	outstanding	to issued
					as at 1 January 2004	on 24 April 2004	as at 30 June 2004	shares as at 30 June 2004
								(%)
Kwan Pak Hoo Bankee	3/11/2003	3/11/2003 – 31/10/2004	0.46	(6)	1,250,000	375,000	1,625,000	0.22
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(6)	2,450,000	735,000	3,185,000	0.42
Law Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	2,652,000	0.35
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	1,625,000	0.22
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	3,185,000	0.42
Wong Kin Yick Kenneth	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)	2,040,000	612,000	2,652,000	0.35
	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	1,625,000	0.22
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	3,185,000	0.42
Cheng Man Pan Ben	3/11/2003	3/11/2003 – 31/10/2004	0.46	(4)	N/A	N/A	1,625,000	0.22
	2/12/2003	1/6/2004 – 31/5/2006	0.34	(2)(8/4)	N/A	N/A	650,000	0.09
Kwok Oi Kuen Joan Elmond	3/11/2003	3/11/2003 – 31/10/2004	0.46		1,250,000	375,000	1,625,000	0.22
	2/12/2003	2/12/2003 – 30/11/2005	0.34		2,450,000	735,000	3,185,000	0.42
Law Ka Kin Eugene	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)(8/5)	2,550,000	765,000	N/A	N/A
	3/11/2003	3/11/2003 – 31/10/2004	0.46	(5)	1,250,000	375,000	N/A	N/A
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(5)	2,450,000	735,000	N/A	N/A
Miao Wen Hao Felix	26/3/2001	1/10/2001 – 30/9/2004	0.83	(2)(8/5)	1,530,000	459,000	N/A	N/A
	3/11/2003	3/11/2003 – 31/10/2004	0.46	(5)	1,250,000	375,000	N/A	N/A
	2/12/2003	2/12/2003 – 30/11/2005	0.34	(5)	2,450,000	735,000	N/A	N/A
					30,360,000	9,108,000	26,819,000	3.57

Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 24 April 2004.
- (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) No option was granted, lapsed, exercised or cancelled during the period.
- (4) Mr Cheng Man Pan Ben was appointed as a Director of the Company during the period.

- (5) Mr Law Ka Kin Eugene and Mr Miao Wen Hao Felix resigned as Directors of the Company during the period.
- (6) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (7) The options are held by the Directors in the capacity of beneficial owner.

(c) *Long positions in the underlying shares – convertible note*

Name	Date of convertible note	Exercise period	Conversion price per share (HK\$)	Number of underlying shares as at 30 June 2004	Percentage to issued shares as at 30 June 2004 (%)
Kwan Pak Hoo Bankee	28/9/2001	28/9/2001 – 31/12/2006	1.13	57,610,619	7.64

Note: The convertible note in the outstanding amount of HK\$65,100,000 was held by a subsidiary of CIGL, which was in turn a wholly-owned subsidiary of CASH. 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.

(d) *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 2004 (%)
Kwan Pak Hoo Bankee	386,827,434	62,420,619	449,248,053	59.55
Law Ping Wah Bernard	–	7,462,000	7,462,000	0.99
Wong Kin Yick Kenneth	1,620,000	7,462,000	9,082,000	1.20
Cheng Man Pan Ben	–	2,275,000	2,275,000	0.31
Kwok Oi Kuen Joan Elmond	–	4,810,000	4,810,000	0.64
Cheng Shu Shing Raymond	2,500,000	–	2,500,000	0.33
	<u>390,947,434</u>	<u>84,429,619</u>	<u>475,377,053</u>	<u>63.02</u>

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	-	164,028,376*	44.88
Law Ping Wah Bernard	Beneficial owner	5,096,200	-	1.39
Cheng Man Pan Ben	Beneficial owner	63,500	-	0.02
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	-	0.74
Cheng Shu Shing Raymond	Beneficial owner	1,000,000	-	0.27
		<u>8,859,700</u>	<u>164,028,376</u>	<u>47.30</u>

* 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\$)	Notes	Number of options		Percentage to issued shares as at 30 June 2004 (%)
					outstanding as at 1 January 2004	outstanding as at 30 June 2004	
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.82
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.82
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	1,000,000	0.27
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	3,000,000	0.82
Law Ka Kin Eugene	2/12/2003	2/12/2003 – 30/11/2005	0.502	(1)	1,000,000	N/A	N/A
Miao Wen Hao Felix	2/12/2003	2/12/2003 – 30/11/2005	0.502	(1)	1,000,000	N/A	N/A
					<u>12,000,000</u>	<u>10,000,000</u>	<u>2.73</u>

Notes:

- (1) Mr Law Ka Kin Eugene and Mr Miao Wen Hao Felix resigned as Directors of the Company during the period.
- (2) The options are held by the Directors in the capacity of beneficial owner.
- (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 2004 (%)
Kwan Pak Hoo Bankee	164,028,376	3,000,000	167,028,376	45.70
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	2.21
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.27
Cheng Man Pan Ben	63,500	–	63,500	0.02
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.56
Cheng Shu Sing Raymond	1,000,000	–	1,000,000	0.27
	<u>172,888,076</u>	<u>10,000,000</u>	<u>182,888,076</u>	<u>50.03</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	357,258,070*	67.00

* The shares were held as to 354,858,070 shares by CIGL and its subsidiaries and as to 2,400,000 shares by Cash Guardian. 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\$)	Notes	Number of options			Percentage to issued shares	
					outstanding as at 1 January 2004	lapsed during the period	adjusted on 2 March 2004	outstanding as at 30 June 2004	as at 30 June 2004 (%)
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.200		1,000,000	(1,000,000)	-	-	-
	2/12/2003	2/12/2003 – 30/11/2004	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Law Ping Wah Bernard	17/1/2002	1/2/2002 – 31/1/2004	4.200		650,000	(650,000)	-	-	-
	2/12/2003	2/12/2003 – 30/11/2004	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Miao Wen Hao Felix	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	500,000	-	2,000,000	N/A	N/A
					<u>4,150,000</u>	<u>(1,650,000)</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>1.88</u>

Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004.
 - (2) The options are held by the Directors in the capacity of beneficial owner.
- (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 2004 (%)
Kwan Pak Hoo Bankee	357,258,070	5,000,000	362,258,070	67.94
Law Ping Wah Bernard	-	5,000,000	5,000,000	0.94
	<u>357,258,070</u>	<u>10,000,000</u>	<u>367,258,070</u>	<u>68.88</u>

Save as disclosed above, as at 30 June 2004, 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 2004 were as follows:

Date of grant	Exercise period	Exercise price per share (Note (2)) (HK\$)	Notes	Number of options				
				outstanding as at 1 January 2004	adjusted on 24 April 2004 (Note (2))	reallocated upon change of directorates (Note (1))	lapsed during the period (Note (4))	outstanding as at 30 June 2004
Directors								
26/3/2001	1/10/2001 – 30/9/2004	0.83	(1)	8,160,000	2,448,000	(5,304,000)	–	5,304,000
3/11/2003	3/11/2003 – 31/10/2004	0.46	(1)	7,500,000	2,250,000	(1,625,000)	–	8,125,000
2/12/2003	2/12/2003 – 30/11/2005	0.34	(1)	14,700,000	4,410,000	(6,370,000)	–	12,740,000
2/12/2003	1/6/2004 – 31/5/2006	0.34	(1)	–	–	650,000	–	650,000
				<u>30,360,000</u>	<u>9,108,000</u>	<u>(12,649,000)</u>	<u>–</u>	<u>26,819,000</u>
Employees								
26/3/2001	1/10/2001 – 30/9/2004	0.83	(3)	2,040,000	612,000	5,304,000	–	7,956,000
27/3/2001	1/10/2001 – 30/9/2004	0.83	(3)	754,800	220,320	–	(20,400)	954,720
3/11/2003	3/11/2003 – 31/10/2004	0.46		5,000,000	1,500,000	1,625,000	–	8,125,000
2/12/2003	2/12/2003 – 30/11/2005	0.34		4,900,000	1,470,000	6,370,000	–	12,740,000
2/12/2003	1/6/2004 – 31/5/2006	0.34	(3)	17,750,000	5,115,000	(650,000)	(1,220,000)	20,995,000
				<u>30,444,800</u>	<u>8,917,320</u>	<u>12,649,000</u>	<u>(1,240,400)</u>	<u>50,770,720</u>
				<u>60,804,800</u>	<u>18,025,320</u>	<u>–</u>	<u>(1,240,400)</u>	<u>77,589,720</u>

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".
- (2) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in the Company with effect from 24 April 2004.
- (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 2004, 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	386,827,434	51.27
Cash Guardian (Note (1))	Interest in a controlled corporation	386,827,434	51.27
CASH (Note (1))	Interest in a controlled corporation	386,827,434	51.27
CIGL (Note (1))	Beneficial owner	386,827,434	51.27
Mrs Nina Wang (Note (2))	Interest in a controlled corporation	49,732,640	6.59
Hampstead Trading Limited (Note (2))	Beneficial owner	43,136,000	5.72

Notes:

- (1) The shares were held by CIGL, a wholly-owned subsidiary of CASH. CASH was owned as to approximately 44.88% 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) The 49,732,640 shares were held as to 43,136,000 shares by Hampstead Trading Limited and 6,596,640 shares by another company, both of which were 100% beneficially owned by Mrs Nina Wang. Mrs Wang was deemed to be interested in all these shares held by the two companies pursuant to the SFO.

Save as disclosed above, as at 30 June 2004, 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 2004, our Company was in compliance with Board Practices and Procedures as set out in Rules 5.34 to 5.45 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 2004, 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

The Directors as at the date hereof are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth, Mr Cheng Man Pan Ben, Ms Kwok Oi Kuen Joan Elmond, Mr Cheng Shu Shing Raymond, Mr Lo Kwok Hung John and Mr Wong Kwong Chi Simon.

Hong Kong, 6 August 2004