智財匯聚
時刻創富

CASH Financial Services Group Limited

2005 2Q Results

1 January to 30 June

CASH
FINANCIAL SERVICES GROUP
時富金融服務集團

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 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.

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 2005 together with the comparative figures for the last corresponding periods are as follows:

	Notes	**Unaudited three months ended 30 June 2005 HK$'000**	2004 HK$'000 (restated)	**Unaudited six months ended 30 June 2005 HK$'000**	2004 HK$'000 (restated)
Turnover	(2)	**46,448**	57,097	**97,928**	125,773
Other operating income		**427**	2,364	**730**	4,415
Write back of bad and doubtful debts		**–**	3,013	**–**	3,013
Salaries, allowance and commission		**(24,264)**	(24,074)	**(50,268)**	(57,183)
Other operational and administrative expenses		**(13,629)**	(16,954)	**(27,589)**	(31,051)
Depreciation and amortisation		**(3,334)**	(5,373)	**(7,142)**	(9,902)
Net realised and unrealised gains on financial assets at fair value through profit or loss		**2,551**	–	**2,903**	–
Loss on trading of securities, options, futures and leveraged foreign exchange contracts		**–**	(9,421)	**–**	(5,061)
Finance costs		**(3,231)**	(731)	**(4,592)**	(2,901)
Profit before taxation		**4,968**	5,921	**11,970**	27,103
Taxation	(4)	**(100)**	(250)	**(150)**	(250)
Profit for the period		**4,868**	5,671	**11,820**	26,853
Attributable to shareholders:					
Equity holders of the Company		**4,511**	5,326	**11,208**	26,126
Minority interests		**357**	345	**612**	727
		4,868	5,671	**11,820**	26,853
Earnings per share – Basic	(5)	**0.6 cent**	0.9 cent	**1.5 cents**	4.7 cents
– Diluted		**N/A**	0.9 cent	**N/A**	4.7 cents

Consolidated Balance Sheet

	Notes	**30 June 2005 (Unaudited) HK$'000**	31 December 2004 (Audited) HK$'000 (restated)
Non-current assets			
Property and equipment	(6)	**15,234**	20,725
Goodwill		**4,933**	4,933
Intangible assets	(7)	**8,177**	9,092
Other assets		**12,084**	11,387
Loans receivable	(9)	**16,200**	18,700
		56,628	64,837
Current assets			
Accounts receivable	(8)	**405,260**	363,191
Loans receivable	(9)	**18,402**	19,651
Prepayments, deposits and other receivables		**10,861**	9,978
Amounts due from fellow subsidiaries		**2,158**	2,048
Financial assets at fair value through profit or loss		**35,651**	–
Investments		**–**	47,032
Bank deposits under conditions		**16,968**	16,782
Bank balances – trust and segregated accounts		**306,385**	433,156
Bank balances (general accounts) and cash		**97,790**	71,500
		893,475	963,338
Current liabilities			
Accounts payable	(10)	**463,674**	616,906
Accrued liabilities and other payables		**38,043**	34,319
Taxation payable		**734**	584
Obligations under finance leases – amount due within one year		**146**	63
Bank borrowings		**166,453**	96,155
		669,050	748,027
Net current assets		**224,425**	215,311
		281,053	280,148

	Notes	**30 June 2005 (Unaudited) HK$'000**	31 December 2004 (Audited) HK$'000 (restated)
Equity			
Capital and reserves attributable to the Company's shareholders			
Share capital	(11)	**75,456**	75,456
Reserves		**168,112**	163,382
		243,568	238,838
Minority interests		**1,421**	810
Total equity		**244,989**	239,648
Non-current liabilities			
Obligations under finance leases – amount due after one year		**233**	–
Convertible notes		**–**	40,500
Financial liability of a convertible note	(12)	**35,831**	–
		36,064	40,500
		281,053	280,148

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2005	2004
	HK$'000	HK$'000 (restated)
Net cash (used in) from operating activities	**(37,175)**	4,261
Net cash used in investing activities	**(2,557)**	(3,735)
Net cash from financing activities	**66,022**	8,108
Net increase in cash and cash equivalents	**26,290**	8,634
Cash and cash equivalents at beginning of period	**71,500**	41,715
Cash and cash equivalents at end of period	**97,790**	50,349
Analysis of balances of cash and cash equivalents		
Bank balances (general) and cash	**97,790**	50,349

Consolidated Statement of Changes in Equity

	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Loan reserve HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
		Unaudited six months ended 30 June 2005						
		Attributable to equity holders of the Company						
Balance at 1 January 2005, as previously reported as equity		75,456	61,956	186,377	-	(84,951)	-	238,838
Arising from adoption of HKAS 32		-	-	-	1,360	-	-	1,360
Balance at 1 January 2005, as previously reported as minority interests		-	-	-	-	-	810	810
Balance at 1 January 2005, as restated		75,456	61,956	186,377	1,360	(84,951)	810	241,008
Net profit for the period from 1 January 2005 to 31 March 2005		-	-	-	-	6,697	255	6,952
Balance at 31 March 2005		75,456	61,956	186,377	1,360	(78,254)	1,065	247,960
Amount transferred to set off accumulated losses	(b)	-	-	(12,827)	-	12,827	-	-
Arising from partial repayment of a convertible note	(c)	-	-	-	(292)	-	-	(292)
2004 final dividend paid		-	-	-	-	(7,546)	-	(7,546)
Net profit for the period from 1 April 2005 to 30 June 2005		-	-	-	-	4,511	357	4,868
Balance at 30 June 2005		75,456	61,956	173,550	1,068	(68,462)	1,422	244,990

		Unaudited six months ended 30 June 2004						
		Attributable to equity holders of the Company						
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Loan reserve HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1 January 2004, as previously reported as equity		37,728	–	186,377	–	(106,229)	–	117,876
Balance at 1 January 2004, as previously reported as minority interests		–	–	–	–	–	386	386
Balance at 1 January 2004, as restated		37,728	–	186,377	–	(106,229)	386	118,262
Net profit for the period from 1 January 2004 to 31 March 2004		–	–	–	–	20,800	382	21,182
Balance at 31 March 2004		37,728	–	186,377	–	(85,429)	768	139,444
Issue of rights shares	(a)	37,728	64,137	–	–	–	–	101,865
Share issue expenses	(a)	–	(2,489)	–	–	–	–	(2,489)
Net profit for the period from 1 April 2004 to 30 June 2004		–	–	–	–	5,326	345	5,671
Balance at 30 June 2004		75,456	61,648	186,377	–	(80,103)	1,113	244,491

Notes:

(a) On 17 May 2004, 377,278,224 shares of HK$0.10 each were issued by way of 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.

(b) Pursuant to a minutes of a directors' meeting held on 30 May 2005, an amount of HK$12,827,374 was transferred from the contributed surplus account to set off against the accumulated losses of the Company at 31 December 2004 of HK$5,281,810.

(c) It refers to the difference between the fair value amount allocated to the liability component of a convertible note and the repayment amount of HK$4,000,000.

Notes:

(1) Basis of preparation and significant accounting policies

The unaudited interim financial statements of the Group have been prepared in accordance with the applicable requirements of the GEM Listing Rules and the Hong Kong Accounting Standard ("HKAS") 34: Interim Financial Reporting.

The Hong Kong Institute of Certified Public Accountants ("HKICPA", formerly the Hong Kong Society of Accountants) has undertaken to converge by 1 January 2005 all Financial Reporting Standards ("HKFRSs") with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. As a result, the HKICPA has aligned HKFRSs with the requirements of IFRSs in all material respects.

The unaudited consolidated results of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong. In 2005, the Group has adopted all HKFRSs pertinent to its operations. The applicable HKFRSs are set out below:

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowings Costs
HKAS 24	Related Party Disclosure
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

The following new and revised HKFRSs adopted by the Group during the period have resulted in changes in the Group's accounting policies which will have effects on the results of the Group for the current or prior accounting period:

HKAS 1	Presentation of Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

HKAS 1 has impacted the presentation of the following notable elements in the Group's condensed accounts:

– minority interests are presented within equity on the face of the condensed consolidated balance sheet while it was presented outside of equity previously;

– movement of minority interests is included in the consolidated statement of changes in equity while this was not required previously; and

– allocation of profit (loss) attributable to minority interests and equity holders of the Company are disclosed on the face of the condensed consolidated profit and loss account after profit for the period while the allocation to minority interests was previously disclosed as a separate line item before arriving at profit attributable to the equity holders of the Company.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to the adoption, the provision of share options to employees did not result in a charge to the income statement. Following the adoption of HKFRS 2, the fair value of share options at grant date was amortised over the subsequent relevant vesting period.

However, the adoption of the HKFRS 2 has no material effect on the results for current nor prior accounting periods. Accordingly, no prior period adjustment is required.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. Prior to the adoption, goodwill was:

– amortised on a straight-line basis over a period of not exceeding 20 years; and

– assessed for impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

– the Group ceased amortisation of goodwill from 1 January 2005;

– accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and

– from the year ending 31 December 2005 onwards, goodwill will be tested annually for impairment, as well as when there are indications of impairment.

As this new accounting standard has no retrospective effect, no prior period adjustment is required. The adoption of this new accounting standard reduced the amortisation of goodwill of approximately HK$1,344,000 during current period as compared with the same period last year.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments. Before 1 January 2005, short-term investments of the Group were presented as other investments and were stated in the balance sheet at fair value, and the convertible loans were stated as liabilities in the balance sheet at their principal amount and the liability and equity components of the convertible notes were not classified and presented separately.

The adoption of HKAS 39 has no retrospective effect but has resulted the following changes:

– redesignated all short-term investments into financial assets and such redesignation has no financial effect on the current and prior accounting periods except the changes in presentation;

– reclassified and presented separately the liability and equity components of the convertible notes; and

– remeasured those financial assets or financial liabilities that should be measured at fair value and those that should be measured at amortised value. The remeasurement of the convertible notes at fair value has increased the finance costs of the convertible notes for current period by approximately HK$397,000.

The adoption of other new HKFRSs does not result in substantial changes to the Group's accounting policies which will affect the result of the Group, but certain presentation and disclosures will be affected in this report and the 2005 annual report.

The new accounting policies adopted in the preparation of the result of the Group for the current period are:

Employee benefit costs

For share options granted under the share options scheme (the scheme approved by an ordinary resolution passed at the special general meeting of the Company held on 19 February 2002), the fair value of the employee services rendered in exchange for the grant of the options is recognised as an expense and credited to an employee share-based compensation reserve under equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at grant date. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period.

When the options are exercised, the proceeds received will be credited to share capital (nominal value) and share premium.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is recognised as an asset and evaluated at least annually for impairment.

On disposal of a subsidiary, the attributable amount of goodwill will be included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets are included in the balance sheet at cost and amortised on a straight-line basis over their estimated useful lives.

Intangible assets are evaluated annually for impairment and reassessed for the useful life of such intangible assets.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are stated at their nominal value as reduced by appropriate allowance for irrecoverable amounts.

Investments

With effect from 1 January 2005, investments of the Group are classified to financial assets at fair value through profit or loss. This category comprises financial assets held for trading if they are acquired principally for the purpose of selling in short term.

Investments under this category are stated at their fair value. Unrealised gains and losses arising from changes in fair value are included in the profit and loss account in the period in which they arise.

Accounts payable

Accounts payable are stated at their nominal value.

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the convertible note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in the shareholders' equity, net of income tax effects.

(2) Turnover

	Unaudited three months ended 30 June		**Unaudited six months ended 30 June**	
	2005	2004	**2005**	2004
	HK$'000	HK$'000 (restated)	**HK$'000**	HK$'000 (restated)
Fees and commission income	**38,877**	48,370	**85,835**	108,855
Interest income	**7,571**	8,727	**12,093**	16,918
	46,448	57,097	**97,928**	125,773

In prior period, loss on trading of securities, options and futures were classified as one of the items in turnover. The Directors consider that it is the common practice of the industry to show the results on trading of securities, options, futures and leveraged foreign exchange contracts as other operating income or expense in the income statement in order to be more informative to the readers. Accordingly, the comparative figure of the loss on trading of securities, options, futures and leveraged foreign exchange contracts was reclassified to conform with the current period's presentation.

(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 2005

	Broking HK$'000	Financing HK$'000	Corporate finance HK$'000	Consolidated HK$'000
Turnover	80,983	12,093	4,852	97,928
RESULT				
Segment profit (loss)	15,680	3,876	(2,087)	17,469
Other operating income				730
Net realised and unrealised gains on financial assets at fair value through profit or loss				2,903
Unallocated corporate expenses				(9,132)
Profit before taxation				11,970
Taxation				(150)
Profit after taxation and before minority interests				11,820

Income statement for the six months ended 30 June 2004

	Broking HK$'000 (restated)	Financing HK$'000	Corporate finance HK$'000	Consolidated HK$'000 (restated)
Turnover	106,351	16,918	2,504	125,773
RESULT				
Segment profit (loss)	27,207	9,744	(4,737)	32,214
Other operating income				4,415
Loss on trading of securities, options, futures and leveraged foreign exchange contracts				(5,061)
Unallocated corporate expenses				(4,465)
Profit before taxation				27,103
Taxation				(250)
Profit after taxation and before minority interests				26,853

(4) Taxation

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

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

(5) Earnings per share

The calculation of basic and diluted earnings per share based on the net profit attributable to the shareholders of the Company for the three months and the six months ended 30 June 2005 together with the comparative figures for the prior periods are as follows:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2005	2004	**2005**	2004
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit for the purpose of basic and diluted earnings per share	**4,511**	5,326	**11,208**	26,126
Weighted average number of ordinary shares for the purpose of basic earnings per share	**754,556,448**	620,810,322	**754,556,448**	555,391,021
Effect of dilutive potential ordinary shares assumed exercise of share options and conversion of convertible notes	**N/A**	213,016	**N/A**	213,016
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**754,556,448**	621,023,338	**754,556,448**	555,604,037

No diluted earnings per share for the period in 2005 has been presented because the exercise prices of the share options and the conversion price of the convertible note of the Company were higher than the average market price of the Company's shares for the period.

(6) Property and equipment

During the period, the Group spent approximately HK$395,000 (2004: HK$3,543,000) on the acquisition of property and equipment.

(7) Intangible assets

It represents the carrying value of trading rights in the exchanges in Hong Kong.

(8) Accounts receivable

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**80,561**	16,168
Cash clients	**45,101**	86,935
Margin clients	**192,644**	183,287
Accounts receivable arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	**81,484**	72,989
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	**3,470**	3,302
Accounts receivable arising from the business of provision of corporate finance services	**2,000**	510
	405,260	363,191

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 Mr 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 30.06.2005 HK$'000	Balance at 31.12.2004 HK$'000	Maximum amount outstanding during the period HK$'000
Cash Guardian Limited ("Cash Guardian")	**10,405**	10,178	10,504

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 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
0-30 days	**3,369**	3,182
31-60 days	**1,751**	189
61-90 days	**50**	163
Over 90 days	**300**	278
	5,470	3,812

(9) Loans receivable

The maturity of the loans receivable is as follows:

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Matured within 180 days	**15,829**	16,084
Matured between 181 days to 365 days	**2,573**	3,567
Matured within one year	**18,402**	19,651
Matured over one year	**16,200**	18,700
	34,602	38,351

Loans receivable with an aggregate carrying value of approximately HK$22,968,000 are secured by pledged marketable securities.

(10) Accounts payable

	30 June 2005 (Unaudited) HK$'000	31 December 2004 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	**271,960**	353,113
Margin clients	**47,912**	64,168
Clearing houses, brokers and dealers	**–**	39,875
Accounts payable to clients arising from the business of dealing in futures and options	**141,276**	156,151
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**2,526**	3,599
	463,674	616,906

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.

(11) Share capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2005 and 30 June 2005	2,000,000	200,000
Issued and fully paid:		
At 1 January 2005 and 30 June 2005	754,556	75,456

(12) Financial liability of a convertible note

The convertible note was issued to Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), an independent third party. It bears interest rate of 3% per annum and will mature on 31 December 2006 or any other date mutually agreed between the Group and ARTAR. The holder of the note does not have the right to demand for repayment of any principal amount of the note prior to its maturity and the accrued interest of the note prior to interest payment date, and is not entitled to vote at general meeting of the Company. The Company has the right to repay early part or all of the amount and the accrued interest of the note at any time prior to the maturity date.

The effective interest rate of the liability component is close to then prevailing cost of funds in our financing business.

(13) Contingent liability

With regard to the litigation with Pang Po King Cannie ("Pang") as disclosed in the annual report for the year ended 31 December 2004, at the current report date, the Directors do not envisage the claim by Pang will be held to be valid. Accordingly, no provision was made in the financial statements. Besides that, the Group has no other material contingent liability outstanding.

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2005 (2004: Nil).

Review and Outlook

Financial Review

For the six months ended 30 June 2005, the Group recorded a net profit attributable to shareholders of HK$11.2 million. While comparing unfavorably with the HK$26.1 million achieved in the same period last year, the results were considered respectable. This continued decent profit track record is testimonial to the success of the reengineering of our business model a couple of years ago, reflecting the marked improvement in the underlying corporate profitability longer term. The management remains positive on the overall performance for the full year.

The Group recorded a turnover of HK$97.9 million for the period, as compared to HK$125.8 million the same period last year. The decrease was in part a reflection of a directionless market environment throughout the first half of the year and in part a result of a change in accounting treatment for brokerage commission rebate. After the abolition of the minimum commission requirement, a significant portion of our commission rebates has been changed from a gross to a net basis. While this has technically reduced turnover, it did not have an actual impact on net profit.

The Group's total shareholders' equity amounted to HK$243.6 million on 30 June 2005 as compared to HK$238.8 million at end of last year. The net increase was a result of the profit accumulated during the period.

On 30 June 2005, our cash and bank balances totalled HK$421.1 million as compared to HK$521.4 million on 31 December 2004. This was a result of decrease in clients' deposits. Our liquidity ratio on 30 June 2005 remained healthy at 1.3 times, being the same ratio on 31 December 2004.

Our total bank borrowings on 30 June 2005 were HK$166.5 million, which were drawn to fund securities margin financing to our clients. Most of these bank borrowings were collateralised by our margin clients' securities pledged to us for the purposes 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 strained.

During the period under review, the Group made an early partial repayment of convertible note in the amount of HK$4.0 million, reducing the outstanding face value of the convertible note to HK$36.5 million at the end of the period. Together with this convertible note, the ratio for our interest bearing borrowings to shareholders' equities was 83.1% on 30 June 2005 as compared to 57.2% on 31 December 2004. Insofar as that the convertible note, which matures on 31 December 2006, accounted for approximately 14.7% of the shareholders equity, 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$0.9 million were pledged to secure general banking facilities granted to a subsidiary for a bank guarantee. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenants 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$16.1 million was held for this purpose. Save as aforesaid, we had no other material contingent liabilities.

At 30 June 2005, the Group was holding a portfolio of listed investments with market value of approximately HK$35.7 million and a profit on investment of HK$2.9 million was recorded for the period. During the six months ended 30 June 2005, our Group did not make any material acquisitions or disposals nor did we hold any significant investment. We do not have any future plans for material investments or addition of capital assets.

Business Review

Continued concerns over global economic slowdown, increase in US interest rates, further macroeconomic tightening in China triggered a sell-off in the emerging markets in March and April and dampened the market sentiment locally. Volatility in commodity and oil prices also led to corresponding price fluctuations in global equity markets. Geopolitically, the Cross-Strait relationship seemed to have improved after the historic visits to China by the opposition party leaders in Taiwan. Despite the continued pick-up in the domestic economy, the Hong Kong stock market in the second quarter was lackluster and directionless as inflow of hot money speculating on the RMB revaluation seemed to have reversed on the back of narrowing interest rate differential between the US and Hong Kong.

Taking advantage of the relatively slower market, we focused our resources in the last few months to upgrade our operating and sales systems to get prepared for the upturn of the market. On the marketing side, we launched a series of campaigns to retain existing clients and attract new prospects. Feedback on these campaigns has been positive and encouraging.

Product diversification and cost leadership continued to be our primary drivers of our business strategy during the first half of the year.

At the same time, we continued to diversify our income stream through wealth management initiatives and expansion of investment banking activities. We continue to see a rising trend of income from both the wealth management and the investment banking divisions as a percent of the total revenue.

As part of the revenue and product diversification strategy, we launched our asset management service in June this year to seize opportunities inherent in the high-net-worth market, and to complement our strategy of providing a full suite of services to our clients. This newly added service will allow us to continue to expand our customer base and to further leverage on the cross-selling synergy within the group.

Looking ahead, corporate profitability would likely come under pressure as competition from local and international players intensifies and funding costs are on the rise. While we remain vigilant to keep our cost structure lean and effective, we persist to diversify our income mix through different businesses. Our goal is to position ourselves as clients' financial services house of choice with comprehensive product offerings that meet their diverse financial needs.

Employee Information

At 30 June 2005, the Group had 187 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$23.9 million. We continue to organise training to employees in areas such as product knowledge, customer service, selling techniques, problem solving, motivation, communication and continuous professional training programmes required by regulatory bodies etc.

Directors' Interests In Securities

As at 30 June 2005, 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

		Number of shares		
Name	**Capacity**	**Personal**	**Other interest**	**Shareholding** (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	397,827,434*	52.73
Wong Kin Yick Kenneth	Beneficial owner	1,620,000	–	0.21
Cheng Shu Sing Raymond	Beneficial owner	1,100,000	–	0.15
		2,720,000	397,827,434	53.09

* The shares were held as to 11,000,000 shares by Cash Guardian and as to 386,827,434 shares 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 (HK$)	Notes	Number of options: outstanding as at 1 January 2005	outstanding as at 30 June 2005	Percentage to issued shares as at 30 June 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.34	(3)	3,185,000	3,185,000	0.42
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	3,185,000	0.42
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	3,185,000	0.42
Cheng Man Pan Ben	2/12/2003	1/6/2004 – 31/5/2006	0.34	(1)	650,000	650,000	0.09
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	3,185,000	0.42
					13,390,000	13,390,000	1.77

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, lapsed or cancelled during the period.

(3) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.

(4) 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 2005 (%)
Kwan Pak Hoo Bankee	397,827,434	3,185,000	401,012,434	53.15
Law Ping Wah Bernard	–	3,185,000	3,185,000	0.42
Wong Kin Yick Kenneth	1,620,000	3,185,000	4,805,000	0.63
Cheng Man Pan Ben	–	650,000	650,000	0.09
Kwok Oi Kuen Joan Elmond	–	3,185,000	3,185,000	0.42
Cheng Shu Shing Raymond	1,100,000	–	1,100,000	0.15
	400,547,434	13,390,000	413,937,434	54.86

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	–	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	–	0.01
Kwok Oi Kuen Joan Elmond	Beneficial owner	2,700,000	–	0.62
Cheng Shu Shing Raymond	Beneficial owner	662,000	–	0.15
		8,521,700	164,028,376	39.43

* 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 outstanding as at 1 January 2005	Number of options outstanding as at 30 June 2005	Percentage to issued shares as at 30 June 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	3,000,000	0.69
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	3,000,000	0.69
Wong Kin Yick Kenneth	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	1,000,000	0.23
Kwok Oi Kuen Joan Elmond	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	3,000,000	0.69
				10,000,000	10,000,000	2.30

Note: 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 2005 (%)
Kwan Pak Hoo Bankee	164,028,376	3,000,000	167,028,376	38.18
Law Ping Wah Bernard	5,096,200	3,000,000	8,096,200	1.85
Wong Kin Yick Kenneth	–	1,000,000	1,000,000	0.23
Cheng Man Pan Ben	63,500	–	63,500	0.01
Kwok Oi Kuen Joan Elmond	2,700,000	3,000,000	5,700,000	1.31
Cheng Shu Sing Raymond	662,000	–	662,000	0.15
	172,550,076	10,000,000	182,550,076	41.73

2. CASH Retail Management Group Limited ("CRMG") (formerly Pricerite Group Limited)

(a) *Long positions in the shares*

Name	Capacity	Number of shares Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	446,572,587*	44.99

* The shares were held as to 443,572,587 shares by CIGL and its subsidiaries and as to 3,000,000 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) 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 2005 (%)
Kwan Pak Hoo Bankee	446,572,587	–	446,572,587	44.99

Save as disclosed above, as at 30 June 2005, 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 having been granted to and held by participants under the share option schemes of the Company during the six months ended 30 June 2005 were as follows:

Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2005	lapsed during the period (Note (3))	outstanding as at 30 June 2005
Directors						
2/12/2003	2/12/2003 – 30/11/2005	0.34	(1)	12,740,000	–	12,740,000
2/12/2003	1/6/2004 – 31/5/2006	0.34	(1)&(2)	650,000	–	650,000
				13,390,000	–	13,390,000
Employees						
2/12/2003	2/12/2003 – 30/11/2005	0.34		9,555,000	(3,185,000)	6,370,000
2/12/2003	1/6/2004 – 31/5/2006	0.34	(2)	20,540,000	(1,170,000)	19,370,000
				30,095,000	(4,355,000)	25,740,000
				43,485,000	(4,355,000)	39,130,000

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 2005, 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	397,827,434	52.73
Cash Guardian (Note (1))	Interest in a controlled corporation	397,827,434	52.73
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 as to 11,000,000 shares by Cash Guardian and as to 386,827,434 shares by CIGL (a wholly owned subsidiary of CASH). CASH was owned as to approximately 37.49% 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 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 as to 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 2005, 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.

Corporate Governance

The Company on 1 June 2005 ("Adoption Date") adopted a set of code of corporate governance principles ("Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM Listing Rules. Since the adoption of the Principles, the CG Code has been duly complied. Before the Adoption Date, the summary of the major areas of deviations from the CG Code during the review period is as follows:

CG Code	**Deviations**
A.4.1 Non-executive Directors should be appointed for a specific term, subject to re-election	• Before the Adoption Date, all the Independent Non-executive Directors ("INEDs") were not appointed for a specific term but were subject to retirement by rotation at the annual general meeting in accordance with the Company's Bye-laws. • With effect from or before the Adoption Date, the term of office for each existing INED had been fixed for one year commencing retrospectively from the date of the 2005 annual general meeting of the Company until the next annual general meeting of the Company, at which all of them shall retire, but be eligible for re-election.
A.4.2 Every director should be subject to retirement by rotation at least once every three years	• Before the Adoption Date, there were no fixed terms for all the Directors to retire at annual general meeting of the Company and the Chairman of the Board was not subject to retirement at annual general meeting of the Company in each year. • With effect from or before the Adoption Date, all Executive Directors or Non-executive Directors (including the Chairman of the Board) of the Company shall retire, but be eligible for re-election, at least once in every 3 financial years at annual general meeting of the Company.
A.6.1 Agenda and the board papers should be despatched at least 3 days before the meeting	• Before the Adoption Date, the Audit Committee papers and the Board papers might not have been sent at least 3 days before the Audit Committee meetings and the Board meetings for approving the financial results. • Since the Adoption Date, the terms in relation to the despatch of the Audit Committee papers and the Board papers under the Principles had not been violated.

CG Code	Deviations
B.1.1 A remuneration committee should be set up with majority members to be INEDs	• Before the Adoption Date, the Company had not set up a remuneration committee. • Since the Adoption Date, the Company has maintained a remuneration committee with specific written terms of reference comprising 2 INEDs and an Executive Director.

All of the above deviations have been remedied and complied with before the end of the review period.

Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in rules 5.48 to 5.67 of the GEM Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard of dealings set out therein throughout the review period.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2005 have not been reviewed by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2005, 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, 10 August 2005

As at the date hereof, the executive Directors 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, and the Independent Non-executive Directors are Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Wong Kwong Chi Simon.