



PRICERITE 賣惠

Pricerite Group Limited
2004 Interim Results

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of Pricerite Group Limited ("Company" or "Pricerite") and its subsidiaries ("Group") for the six months ended 30 June 2004 together with the comparative figures for the last corresponding period are as follows:

		Unaudited six months ended 30 June	
		2004	2003
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	(2)	417,281	388,316
Cost of sales		(265,885)	(242,379)
Gross profit		151,396	145,937
Other operating income		955	2,361
Selling and distribution costs		(146,595)	(138,634)
Administrative expenses		(10,803)	(6,695)
Depreciation and amortisation		(12,851)	(14,399)
Loss from investment in securities		(490)	(3,861)
Loss from operating activities		(18,388)	(15,291)
Finance costs		(1,484)	(1,402)
Loss before taxation		(19,872)	(16,693)
Taxation	(3)	-	-
Net loss attributable to shareholders		(19,872)	(16,693)
Loss per share	(4)		
– Basic		(3.7) cents	(3.2) cents
– Diluted		(3.7) cents	(3.2) cents



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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	100,785	104,032
Other assets	5,513	7,358
Rental and utility deposits	10,968	12,159
	117,266	123,549
Current assets		
Inventories	66,207	58,507
Accounts receivable (5)	7,258	5,948
Prepayments, deposits and other receivables	24,916	33,131
Investments in securities	12,075	12,565
Amounts due from fellow subsidiaries	13,053	15,366
Pledged bank deposits	20,000	20,000
Bank balances and cash	157,301	197,895
	300,810	343,412
Current liabilities		
Accounts payable (6)	126,589	172,604
Accrued liabilities and other payables	30,968	23,265
Taxation payable	246	200
Obligations under finance leases		
– amount due within one year	226	310
Bank borrowings, secured	76,075	68,680
	234,104	265,059
Net current assets	66,706	78,353
	183,972	201,902

		30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
Capital and reserves			
Share capital	(7)	10,664	10,384
Reserves	(8)	156,808	171,948
		167,472	182,332
Non-current liabilities			
Bank borrowings, secured		16,500	19,500
Obligations under finance leases			
– amount due after one year		–	70
		16,500	19,570
		183,972	201,902



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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash used in operating activities	(39,016)	(31,540)
Net cash (used in) from investing activities	(10,831)	1,203
Net cash from financing activities	9,253	9,523
Net decrease in cash and cash equivalents	(40,594)	(20,814)
Cash and cash equivalents at beginning of period	197,895	138,615
Cash and cash equivalents at end of period	157,301	117,801
Analysis of balances of cash and cash equivalents		
Bank balances (general) and cash	157,301	117,801

STATEMENT OF CHANGES IN EQUITY

	Unaudited six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
At 1 January	182,332	212,257
Issue of new shares	5,012	–
Net loss for the period	(19,872)	(16,693)
At 30 June	167,472	195,564

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 Rules Governing the Listing of Securities on the Stock Exchange ("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.

(2) Income statement by business and geographical segments

The Group's turnover and results are substantially derived from retailing activity carried out in Hong Kong for both periods. Accordingly, no analysis by business and by geographical segments is presented.

(3) Taxation

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

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

(4) Loss per share

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

	Unaudited six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Loss for the purpose of basic and diluted loss per share	(19,872)	(16,693)
Weighted average number of ordinary shares for the purpose of basic loss per share	531,809,635	519,194,250
Effect of dilutive potential ordinary shares assumed exercise of share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	531,809,635	519,194,250

The weighted average number of ordinary shares for both periods for the purpose of basic and diluted loss per share has been adjusted for the share subdivision which took effect on 2 March 2004.

The calculation of diluted loss per share for the period of 2004 did not assume the exercise of the Company's outstanding share options as their exercise would result in a reduction in loss per share.

The calculation of diluted loss per share for the period of 2003 did not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price of the shares.

(5) Accounts receivable

The Group allows an average credit period of 30-90 days to trade debtors.

The aged analysis of accounts receivable at the balance sheet date is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0-30 days	4,839	5,808
31-60 days	1,210	103
61-90 days	806	5
Over 90 days	403	32
	7,258	5,948

(6) Accounts payable

The aged analysis of accounts payable at the balance sheet date is as follows:

	30 June 2004 (Unaudited) HK\$'000	31 December 2003 (Audited) HK\$'000
0-30 days	59,854	66,118
31-60 days	40,246	42,636
61-90 days	16,276	41,761
Over 90 days	10,213	22,089
	126,589	172,604



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(7) Share capital

	Notes	Number of shares '000	Amount HK\$'000
<i>Authorised:</i>			
Ordinary shares of HK\$0.10 each at 1 January 2004		150,000	15,000
Share Subdivision	(a)	600,000	—
		<u>750,000</u>	<u>15,000</u>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.10 each at 1 January 2004		103,839	10,384
Exercise of share options	(b)	2,800	280
Share Subdivision	(a)	426,555	—
		<u>533,194</u>	<u>10,664</u>

Notes:

- (a) Pursuant to an ordinary resolution passed on 1 March 2004, the Company's issued and unissued shares of HK\$0.10 each were subdivided into 5 new shares of HK\$0.02 each ("Share Subdivision"). The Share Subdivision took effect on 2 March 2004.
- (b) In January 2004, 2,800,000 options were exercised at the exercise price of HK\$1.79 per share, resulting in the issue of 2,800,000 shares of HK\$0.10 each for a total consideration (before expenses) of HK\$5,012,000 on 19 January 2004.

(8) Reserves

	Unaudited six months ended 30 June					2003
	2004					
Note	Share premium account HK\$'000	Contributed surplus account HK\$'000	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Total HK\$'000
Beginning of the six months period	-	170,942	6,055	(5,049)	171,948	4,579
Increased due to capital reduction	-	-	-	-	-	197,294
Issue of new shares due to exercise of share options (a)	4,732	-	-	-	4,732	-
Net loss for the period	-	-	-	(19,872)	(19,872)	(16,693)
End of the six months period	4,732	170,942	6,055	(24,921)	156,808	185,180

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 7.5% increase in turnover to HK\$417.3 million when compared with the same period last year. After taking into account the costs incurred for developing our international business, the Group recorded a net loss attributable to shareholders of HK\$19.9 million for the period. This also reviewed that the economic recovery in furniture and household markets was lagging behind other retail sectors, which benefited from the increasing Chinese tourists flow into Hong Kong since the second half of 2003. The resulting total shareholders' equity of the Group amounted to HK\$167.5 million on 30 June 2004, as compared to HK\$182.3 million at end of last year.

On 30 June 2004, our cash and bank balances were HK\$177.3 million as compared to HK\$217.9 million on 31 December 2003. The decrease in cash balances was due to an acute reduction in trade payables. Nevertheless, our liquidity ratio remained healthy at 1.3 times on 30 June 2004, virtually unchanged from 31 December 2003.

Our total bank borrowings on 30 June 2004 were mildly increased to HK\$92.6 million from HK\$88.2 million on 31 December 2003. All of the Group's borrowings are either in HK dollar or US dollar, with the interest rates priced at close to banks' funding costs. By using effective instrument to hedge any adverse change in interest rates, the Group's exposure to both foreign currency and interest rate fluctuation was insignificant. The Group has sufficient banking facilities for its operations even at the peak period of bank borrowings following the Chinese New Year. On 30 June 2004, the Group's listed investment securities were HK\$12.1 million. The ratio of total bank borrowings to shareholders' equity on 30 June 2004 was 55.3%, still at a healthy level, as compared to 48.4% on 31 December 2003.

As at 30 June 2004, leasehold properties at their carrying value of approximately HK\$35.3 million and bank deposits of HK\$20.0 million were pledged to secure a bank term loan and general banking facilities granted to a subsidiary. Save as aforesaid, the Group had no other material contingent liabilities at the period end.

There was no significant investment held during the period under review. We do not have any future plans for material investments or capital assets.

Industry Review

Retail sales in the first half of 2004 improved by 13.4% in value or 11.2% in volume; while in June 2004, the value of total retail sales increased by 14.5% as compared with June 2003.

However, while our Group's revenue registered improvements, we continued to combat the residue effect of the poor economic fundamentals during the past two years as consumer price sensitivity continued to hamper efforts to improve gross profit margins. This was reflected in the 1.3% year-on-year decrease in Composite Consumer Price Index for the first half of 2004, with specific yearlong decline registered in durable goods. This shows that despite the retail market is recovering as a whole, our household sector is still suffering from price and margin pressures.

Business Review

Despite these difficulties, we continued to sharpen our business edges to provide the best value and quality lifestyle and basic home improvement solutions to customers. More importantly, we have made significant progress towards expanding our business reach internationally and in Mainland China.

Merchandising Re-engineering to Improve Overall Product Efficiency and Hence Profitability

We maintained our philosophy to meeting the needs of our customers as our primary management objective during the first half of 2004. Complete revamp of our merchandise has been carried out during the period under review. Outdated and slow-moving merchandises were replaced with the more fashionable and needful products. Centralised purchasing has been launched to further improve the overall product efficiency. Product range planning has also been implemented to better match customer preferences with our product offerings. Constant reviews on product performance were systemised, so as to lower our inventory level. Strategic alliances were also made with quality vendors. In a nutshell, our aim is to offer our customers with a wide selection of quality merchandise at value-for-money prices.

Furthermore, we continued to invest in our management information system so as to maximise the supply chain efficiency. System integrity for data-mining was enhanced and linked with our replenishment system, facilitating the implementation of pricing and merchandising strategies and eventually to improve our gross profit margin and better control our inventories.

Strengthening Our Brand with the Relationship of Our Customers

In order to better serve our customers, we launched “The Club” – Pricerite’s loyalty programme to our customers during the period under review. The Club was launched in June with over 5,000 quality members. We target to recruit 10,000 members eventually to enable us to develop and tailor the most suitable marketing strategy to our members to maximise revenue. Furthermore, we continued our joint promotion programmes with major merchants and credit card companies to provide promotional offers to our customers. To name a few, they include Warner Brothers, HSBC, American Express, Bank of East Asia, and Nestle.

Fine Tuning Our Network to Better Serve the Hong Kong Community

During the period, we continued our regular review on individual store contribution to overall profitability. As a result of this continuing exercise, we closed a total of three stores that were below our performance targets, namely, Riviera Garden, Wo Che and Manly Plaza. As at 30 June 2004, our store network comprised a total of 42 stores. At the same time, as part of our initiatives to fine tune our network coverage to better serve the Hong Kong community and to test potential for new possible site locations, we conducted road shows in shopping malls in Siu Sai Wan, Sau Mau Ping and Taiipo.

Simultaneously, we locked in a new site planned for opening at Metro City Plaza, Tseung Kwan O in August 2004.

Enhancing Our Customer Service

We continued to organise Mystery Shoppers Programme and Outstanding Customer Service Awards Programmes to enhance customer service and store management quality. We maintained our commitment to staff development registering over 1,000 training hours during the first half of 2004 on customer service, product knowledge, sales techniques and system and procedures.

Our dedication to enhancing our services culminated in two Distinguished Salesperson Awards and one Outstanding Young Salesperson Award being presented to our frontline staff in the 36th Distinguished Salesperson Award Programme as organised by The Hong Kong Management Association in June 2004. Participants of the said programme mainly came from the service sector like banks, insurance company, airlines, telecommunications companies and property agencies.

Improving Customers' Shopping Experience

During the period, we maintained our goal to improve the shopping environment in our stores and continued with our store image revamping initiative with a systematic programme to replace the previous corporate identity with our new identity system to standardise corporate identity and image.

Simultaneously, we began a programme of revamping the layouts of our stores and improving the location of our product departments according to customer flow as well as our new product strategy.

We also started rolling out the Planogram system to increase our product display efficiency. This new system was first launched in our category-killer sections in April 2004, with the rest of the product departments scheduled to be implemented in the coming months.

Sharpening Our Tools

We continued our on-going efforts to enhance our operational system efficiency and effectiveness. We applied advanced technology to daily operations such as computerised ordering system, warehouse management system and inventory management system.

We also established Key Performance Indicators for monitoring the business performance and to perform industry performance bench-marking. Simultaneously, we strengthened the management information system for management decision-making.

Pricerite China

To further strengthen our presence in Guangzhou, we began a relocation programme to move the existing store from the southern region to the Tian He area in the northern region. The target opening for the new store in this Northern Guangzhou area is planned for the second half of this year. The new store is favourably located at a popular shopping area with proximity to excellent customer traffic and easy access to the subway network. The move is expected to boost both our sales and corporate image in Guangzhou. Similar location strategy will be adopted in our future store selection in Guangzhou. In Shenzhen, our fourth outlet was opened in the new B&Q home decoration and building materials mall in the second quarter. The new outlet offers a specific series of products on a modern lifestyle concept. Business progress on the Shenzhen outlets has been satisfactory.

Pricerite International

In 2004, we have secured a supply chain management contract with Abdulrahman Saad Al-Rashid and Sons Company Limited (The ARTAR Group), a Saudi investment group, for setting up a new retail store in Riyadh, which is expected to open in June 2005, marking our move from a local retailer into an international supply chain service provider.

We participated in several international trade fairs together with our fellow subsidiaries Cosmos Global Limited and Halo Group Limited including the Spring Fair in January as well as the BBC Good Homes Show in June at the National Exhibition Centre in Birmingham, United Kingdom. Market responses were highly positive resulting in negotiations to form long term partnerships and strategic alliances to develop international trading and supply chain management businesses proceeding in earnest.

Outlook

Hong Kong

We anticipate that the economic recovery will continue for the rest of 2004. However, evidence has suggested that the increased revenues in the retail sector are mainly attributable to the few sectors that benefit directly from the influx of Chinese tourists to Hong Kong, such as branded garments, watches and jewellery, and consumer electronics.

Given this macroeconomic environment, we hold the view that consumption in furniture and household products will continue to improve, yet at a lower rate than the overly growth in retail sales. As the property market maintains its recovery, we believe that demand in furniture will continue to grow.

We will continue to re-engineer our merchandise mix so as to satisfy the ever-changing tastes of our customers.

All in all, we are in a view that the second half of 2004 will see further improvement in our sales growth and gross contribution.

Mainland China

In line with our China expansion plan, Pricerite has submitted an application for a solely-owned retail licence under CEPA in Mainland China in early 2004. We are among the first lot of applicants which has successfully obtained the approval from the Shanghai government authorities on the licence under CEPA in May. The application is now under final processing in the Ministry of Commerce in Beijing. The approval is expected to be obtained within the year. With the licence, we plan to open retail stores in Shanghai. These outlets will offer a well-selected mix of household products that specifically cater for the needs of the Shanghai consumers. At a later stage, we plan to extend our retail network to other parts of Eastern China aiming to capture the booming consumption power in the region.

Saudi Arabia

Preparation for the opening of our first Middle East flagship store will enter into its mission critical stage with confirmation of product range, product certification and manufacturing taking centre stage.

Other International Businesses

We are confident that we shall establish our first European joint venture during the second half of this year with a strong partner that enjoys immense access to European retailers to launch a buying office and wholesale business built on top of our enhanced merchandising platform.

EMPLOYEE INFORMATION

At 30 June 2004, the Group had 921 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\$49.0 million. We continue to provide training to employees in areas such as product knowledge, language training, customer service, selling techniques, problem solving, time management and coaching etc.

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 the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A. The Company

1. Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	357,258,070*	67.00

* The shares were held as to 354,858,070 shares by Celestial Investment Group Limited ("CIGL") and its subsidiaries and as to 2,400,000 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in Celestial Asia Securities Holdings Limited ("CASH") through Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options			Percentage to issued shares as at 30 June 2004 (%)	
					outstanding as at 1 January 2004	lapsed during the period (Note (2))	adjusted on 2 March 2004		outstanding as at 30 June 2004
Kwan Pak Hoo Bankee	17/1/2002	1/2/2002 – 31/1/2004	4.200	(4)	1,000,000	(1,000,000)	-	-	-
	2/12/2003	2/12/2003 – 30/11/2004	0.358	(1)&(4)	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
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2004	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Cheng Pui Lai Majone	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Kwok Lai Ling Elaine	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	1,000,000	-	4,000,000	5,000,000	0.94
Leung Siu Pong James	17/1/2002	1/2/2002 – 31/1/2004	4.200		250,000	(250,000)	-	-	-
	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	500,000	-	2,000,000	2,500,000	0.47
Li Yuen Cheuk Thomas	17/1/2002	1/2/2002 – 31/1/2004	4.200		300,000	(300,000)	-	-	-
	2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	500,000	-	2,000,000	2,500,000	0.47
					<u>8,200,000</u>	<u>(2,200,000)</u>	<u>24,000,000</u>	<u>30,000,000</u>	<u>5.64</u>

Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to Share Subdivision of the Company for 1 share to 5 shares with effect from 2 March 2004.
- (2) The lapsed options were due to expiry.
- (3) No options was granted, exercised or cancelled during the period.
- (4) Mr Kwan Pak Hoo Bankee is also a substantial shareholder of the Company.
- (5) The options are held by the Directors in the capacity of beneficial owner.

B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the shares

Name	Capacity	Number of shares			Shareholding (%)
		Personal	Family	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
Chan Yau Ching Bob	Beneficial owner and family interest	70,500	200,200	-	0.07
Kwok Lai Ling Elaine	Beneficial owner and family interest	21,200	500	-	0.01
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	-	-	0.68
		<u>7,689,775</u>	<u>200,700</u>	<u>164,028,376</u>	<u>47.03</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 scheme

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	lapsed during the period (Note (2))	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
Chan Yau Ching Bob	31/8/2001	1/3/2002 – 28/2/2004	2.600	(1)	1,500,000	(1,500,000)	-	-
	2/12/2003	2/12/2003 – 30/11/2005	0.502		3,000,000	-	3,000,000	0.82
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.502		1,000,000	-	1,000,000	0.27
					<u>11,500,000</u>	<u>(1,500,000)</u>	<u>10,000,000</u>	<u>2.73</u>

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 6 months from the commencement of the exercise period.
- (2) The lapsed options were due to expiry.
- (3) The options are held by the Directors in the capacity of beneficial owner.

2. CASH Financial Services Group Limited (“CFSG”)

(a) Long positions in the shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	386,827,434*	51.27

* The shares were held by CIGL, a wholly-owned subsidiary of CASH. Mr Kwan was deemed to be interested in all these shares as a result of his interests in the Company 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\$)	Number of options			Percentage to issued shares as at 30 June 2004 (%)
				outstanding as at 1 January 2004	adjusted on 24 April 2004 (Note (1))	outstanding as at 30 June 2004	
Kwan Pak Hoo Bankee	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 Ping Wah Bernard	26/3/2001	1/10/2001 – 30/9/2004	0.83	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
Chan Yau Ching Bob	2/12/2003	2/12/2003 – 30/11/2005	0.34	2,450,000	735,000	3,185,000	0.42
	3/11/2003	3/11/2003 – 31/10/2004	0.46	1,250,000	375,000	1,625,000	0.22
Cheng Pui Lai Majone	2/12/2003	2/12/2003 – 30/11/2005	0.34	2,450,000	735,000	3,185,000	0.42
	26/3/2001	1/10/2001 – 30/9/2004	0.83	1,020,000	306,000	1,326,000	0.18
Kwok Lai Ling Elaine	2/12/2003	1/6/2004 – 31/5/2006	0.34	500,000	150,000	650,000	0.08
	2/12/2003	1/6/2004 – 31/5/2006	0.34	500,000	150,000	650,000	0.08
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.34	2,450,000	735,000	3,185,000	0.42
				17,610,000	5,283,000	22,893,000	3.03



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Notes:

- (1) The number and the exercise price of options which remained outstanding have been adjusted due to rights issue of shares in CFSG with effect from 24 April 2004.
- (2) 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 in turn was 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.

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 (HK\$)	Notes	Number of options				
				outstanding as at 1 January 2004	lapsed during the period (Note (3))	exercised during the period	adjusted on 2 March 2004	outstanding as at 30 June 2004
Directors								
17/1/2002	1/2/2002 – 31/1/2004	4.200	(1)	2,200,000	(2,200,000)	-	-	-
2/12/2003	2/12/2003 – 30/11/2004	0.358	(1)	3,000,000	-	-	12,000,000	15,000,000
2/12/2003	1/12/2004 – 30/11/2005	0.358	(1)	3,000,000	-	-	12,000,000	15,000,000
				<u>8,200,000</u>	<u>(2,200,000)</u>	<u>-</u>	<u>24,000,000</u>	<u>30,000,000</u>
Employees								
17/1/2002	1/2/2002 – 31/1/2004	4.200		1,500,000	(1,500,000)	-	-	-
2/12/2003	2/12/2003 – 30/11/2004	0.358	(2)	2,800,000	-	(2,800,000)	-	-
2/12/2003	1/12/2004 – 30/11/2005	0.358	(2)	1,500,000	-	-	6,000,000	7,500,000
				<u>5,800,000</u>	<u>(1,500,000)</u>	<u>(2,800,000)</u>	<u>6,000,000</u>	<u>7,500,000</u>
				<u>14,000,000</u>	<u>(3,700,000)</u>	<u>(2,800,000)</u>	<u>30,000,000</u>	<u>37,500,000</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 share subdivision of Pricerite for 1 share to 5 shares with effect from 2 March 2004.
- (3) The lapsed options were due to expiry.
- (4) No option was granted 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	357,258,070	67.00
Cash Guardian (Note (1))	Interest in a controlled corporation	357,258,070	67.00
CASH (Note (1))	Interest in a controlled corporation	354,858,070	66.55
CIGL (Note (1))	Beneficial owner	354,858,070	66.55
Mr Ng Hung Sang Robert (Note (2))	Interest in a controlled corporation	45,858,000	8.60
South China Holdings Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
South China (BVI) Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Tek Lee Finance and Investment Corporation Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
South China Industries Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
South China Industries (BVI) Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Wah Shing International Holdings Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Wah Shing Toys International (BVI) Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Wah Shing Toys Company Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Man Wah Plastics Company Limited (Note (2))	Interest in a controlled corporation	45,858,000	8.60
Man Wah Trading Limited (Note (2))	Beneficial owner	45,858,000	8.60

Notes:

- (1) The shares were held as to 2,400,000 shares by Cash Guardian and as to 354,858,070 shares by CIGL and its subsidiaries. CIGL was a wholly-owned subsidiary of CASH which 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 SFO, CASH, Cash Guardian, Jeffnet Inc and Mr Kwan were deemed to be interested in the shares held by CIGL.
- (2) This refers to the same number of 45,858,000 shares held by Man Wah Trading Limited. Man Wah Trading Limited was a wholly-owned subsidiary of Man Wah Plastics Company Limited, which in turn was a wholly-owned subsidiary of Wah Shing Toys Company Limited. Wah Shing Toys Company Limited was a wholly-owned subsidiary of Wah Shing Toys International (BVI) Limited, which in turn was a wholly-owned subsidiary of Wah Shing International Holdings Limited. Wah Shing International Holdings Limited was owned as to 61.97% by South China Industries (BVI) Limited, which in turn was a wholly-owned subsidiary of South China Industries Limited. South China Industries Limited was owned as to 74.74% by three wholly-owned subsidiaries of Tek Lee Finance and Investment Corporation Limited, which in turn was a wholly-owned subsidiary of South China (BVI) Limited. South China (BVI) Limited was a wholly-owned subsidiary of South China Holdings Limited which in turn was owned as to 73.72% by Mr Ng Hung Sang Robert through his controlled companies.

Pursuant to the SFO, Man Wah Plastics Company Limited, Wah Shing Toys Company Limited, Wah Shing Toys International (BVI) Limited, Wah Shing International Holdings Limited, South China Industries (BVI) Limited, South China Industries Limited, Tek Lee Finance and Investment Corporation Limited, South China (BVI) Limited, South China Holdings Limited and Mr Ng Hung Sang Robert were all deemed to be interested in the shares held by Man Wah Trading Limited.

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the Directors is aware of information that would reasonable indicate that the Company is not, or was not for any part of the accounting period from 1 January 2004 to 30 June 2004, in compliance with Code of Best Practice as set out in Appendix 14 of the Listing Rules, save that the Independent Non-executive Directors of the Company were not appointed for specific terms but subject to retirement by rotation at annual general meeting as specified by the Company's bye-laws.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the six months ended 30 June 2004, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

On behalf of the Board

Bankee P Kwan

Chairman & CEO

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Dr Chan Yau Ching Bob, Ms Cheng Pui Lai Majone, Ms Kwok Lai Ling Elaine, Mr Leung Siu Pong James, Mr Li Yuen Cheuk Thomas, the independent non-executive Directors are Dr Hui Ka Wah Ronnie, Mr Lo Kwok Hung John and Mr Lo Ming Chi Charles.

Hong Kong, 18 August 2004