2009

Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

Interim Results

Consolidated Income Statement

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the six months ended 30 June 2009 together with the comparative figures for the last corresponding period are as follows:

		Unaudited six months ended 30 June	
		2009	2008
	Notes	HK$'000	HK$'000
Revenue	(3)	524,764	711,931
Other income		17,413	7,503
Cost of sales for retailing business		(232,075)	(245,979)
Cost of sales and services for online game business		(6,192)	(26,891)
Salaries, allowances and commission		(147,441)	(132,271)
Other operating, administrative and selling expenses		(182,958)	(315,864)
Depreciation of property and equipment		(25,831)	(22,608)
Finance costs		(8,675)	(11,383)
Net gain (loss) on financial assets at fair value through profit and loss		12,399	(57,883)
Gain on dilution of shareholding in subsidiaries		—	42,256
Share of loss of associates		(412)	(1,876)
Loss before taxation		(49,008)	(53,065)
Taxation charge	(5)	(1,200)	(4,892)
Loss for the period		(50,208)	(57,957)
Attributable to shareholders:			
Equity holders of the Company		(41,532)	(80,281)
Minority interests		(8,676)	22,324
		(50,208)	(57,957)
Dividend:			
Dividends recognised as distribution during the period			
— payment of 2007 final dividend of HK$0.04 per share		—	36,101
Loss per share	(6)		
— Basic		HK$(0.2)	HK$(0.4)
— Diluted		HK$(0.2)	HK$(0.4)

Consolidated Balance Sheet

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Non-current assets			
Property and equipment		167,023	172,019
Prepaid lease payments		15,341	15,548
Investment property		41,000	—
Goodwill		192,547	192,547
Interests in associates		111,273	111,684
Loan to an associate		10,296	10,296
Intangible assets		53,840	55,929
Other assets		11,832	9,447
Deposits paid for purchase of property and equipment		77,071	63,271
Loan receivables		—	671
		680,223	631,412
Current assets			
Inventories		33,512	39,263
Account receivables	(7)	1,063,203	305,923
Loan receivables		17,690	13,677
Prepayments, deposits and other receivables		154,858	73,045
Tax recoverable		1,230	1,230
Amounts due from associates		260	260
Investments held for trading		44,899	79,155
Deposits with brokers		—	2,730
Bank deposits under conditions		89,007	101,719
Bank balances — trust and segregated accounts		664,653	542,079
Bank balances (general accounts) and cash		340,424	327,480
		2,409,736	1,486,561

	Notes	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Current liabilities			
Account payables	(8)	991,584	823,593
Deferred revenue		2,009	5,981
Accrued liabilities and other payables		138,301	85,714
Taxation payable		16,572	24,072
Obligations under finance leases — amount due within one year		123	127
Borrowings — amount due within one year		1,127,262	383,071
Derivative financial instruments		—	3,067
Loan from a minority shareholder		27,437	27,437
		2,303,288	1,353,062
Net current assets		106,448	133,499
Total assets less current liabilities		786,671	764,911
Capital and reserves			
Share capital	(10)	18,051	18,051
Reserves		206,953	240,344
Equity attributable to equity holders of the Company		225,004	258,395
Minority interests		409,106	370,324
Total equity		634,110	628,719
Non-current liabilities			
Deferred tax liabilities		10,221	7,606
Convertible loan notes		35,210	—
Obligations under finance leases — amount due after one year		256	315
Borrowings — amount due after one year		106,874	128,271
		152,561	136,192
		786,671	764,911

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Net cash (used in) from operating activities	(913,814)	116,097
Net cash from (used in) investing activities	50,641	(160,688)
Net cash from financing activities	876,117	154,539
Net increase in cash and cash equivalents	12,944	109,948
Cash and cash equivalents at beginning of period	327,480	329,501
Cash and cash equivalents at end of period	340,424	439,449
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	340,424	439,449

Consolidated Statement of Changes in Equity

		Unaudited six months ended 30 June 2009													
		Attributable to equity holders of the Company													
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Convertible loan note equity reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2009		18,051	317,255	138,926	1,160	–	12,314	4,420	652	15,564	(249,947)	258,395	–	370,324	628,719
Exchange differences arising on translation of foreign operations		–	–	–	–	–	–	195	–	–	–	195	–	–	195
Net loss for the period		–	–	–	–	–	–	–	–	–	(41,532)	(41,532)	–	(8,676)	(50,208)
Total recognised income and expense for the period		–	–	–	–	–	–	195	–	–	(41,532)	(41,337)	–	(8,676)	(50,013)
Issue of new shares due to rights issue by subsidiary	(a)	–	–	–	–	–	–	–	–	–	–	–	–	47,458	47,458
Recognition of equity component of convertible loan note		–	–	–	–	8,033	–	–	–	–	–	8,033	–	–	8,033
Transfer upon lapsed of share options		–	–	–	–	–	–	–	(652)	–	–	(652)	–	–	(652)
Recognition of employee share option benefits		–	–	–	–	–	–	–	565	–	–	565	–	–	565
At 30 June 2009		18,051	317,255	138,926	1,160	8,033	12,314	4,615	565	15,564	(291,479)	225,004	–	409,106	634,110

Unaudited six months ended 30 June 2008

		Attributable to equity holders of the Company												
	Notes	Share capital HK$'000	Share premium HK$'000 (restated)	Contributed surplus HK$'000 (restated)	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated profits (losses) HK$'000 (restated)	Total HK$'000	Share option reserve of a listed subsidiary HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008		90,253	417,255	16,724	1,160	12,314	(188)	1,074	15,564	93,845	648,001	88	492,118	1,140,207
Increase shareholding interest in subsidiary	(b)	–	–	–	–	–	–	–	–	–	–	–	(12,356)	(12,356)
Issue of new shares by a subsidiary	(c)	–	–	–	–	–	–	–	–	–	–	–	(76)	(76)
Share repurchases by a subsidiary	(d)	–	–	–	–	–	–	–	–	–	–	–	(6,425)	(6,425)
2007 CASH Financial Services Group Limited ("CFSG") final dividend paid		–	–	–	–	–	–	–	–	–	–	–	(33,419)	(33,419)
2007 final dividend paid		–	–	–	–	–	–	–	–	(36,101)	(36,101)	–	–	(36,101)
Share of translation reserve of an associate		–	–	–	–	–	2,035	–	–	–	2,035	–	–	2,035
Amount transferred from share premium to contributed surplus	(e)	–	(100,000)	100,000	–	–	–	–	–	–	–	–	–	–
Amount transferred to set off accumulated losses	(f)	–	–	(50,000)	–	–	–	–	–	50,000	–	–	–	–
Reduction of shares due to share consolidation and capital reduction	(g)	(72,202)	–	72,202	–	–	–	–	–	–	–	–	–	–
Net loss for the period		–	–	–	–	–	–	–	–	(80,281)	(80,281)	–	22,248	(58,033)
At 30 June 2008		18,051	317,255	138,926	1,160	12,314	1,847	1,074	15,564	27,463	533,654	88	462,090	995,832

Notes:

(a) On 17 April 2009, 205,702,702 CFSG's shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.45 per share.

(b) From March 2008 to May 2008, Celestial Investment Group Limited ("CIGL") (a wholly-owned subsidiary of the Company) purchased additional shares in CFSG. The Group's interest in CFSG was increased from 45.27% to 46.79% after the acquisitions.

(c) On 24 April 2008, 1,000,000 share options of CFSG were exercised at an exercise price of HK$0.262 per a CFSG's share, resulting in the issue of 1,000,000 CFSG's shares of HK$0.10 each.

(d) During the six months ended 30 June 2008, CFSG repurchased a total of 2,586,000 shares of HK$0.10 each in its own issued share capital on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for an aggregate consideration of HK$7,217,000. Accordingly, such shares were cancelled and the issued share capital of CFSG was reduced by the nominal value of these shares. As at 30 June 2008, the Group's interest in CFSG was 47.08%.

(e) Pursuant to a resolution of an annual general meeting held on 6 June 2008, an amount of HK$100,000,000 was transferred from the share premium account to contributed surplus account where it may be utilised in accordance with the bye-laws of the Company and all the applicable laws.

(f) Pursuant to a resolution of a board of directors' meeting held on 13 June 2008, an amount of HK$50,000,000 was transferred from contributed surplus account to set off against the accumulated losses of the Company.

(g) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, the Company, with effect from 10 June 2008:

 (i) consolidated every 5 issued shares of HK$0.10 each in the issued share capital of the Company to 1 share of HK$0.50 each ("Consolidated Share") ("Share Consolidation");

 (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK$0.40 on each of the Consolidation Share in issue ("Capital Reduction"); and

 (iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK$72,202,000 to the contributed surplus account.

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated accounts include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2008.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1	First-time adoption of financial reporting standards[1]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 8	Operating Segment[2]
HK(IFRIC) — INT 17	Distribution of non-cash assets to owners[1]
HK(IFRIC) — INT 18	Transfer of assets from customers[1]

1 *Effective for annual periods beginning on or after 1 July 2009.*
2 *Effective for annual periods beginning on or after 1 January 2009.*

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(3) Revenue

	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Fees and commission income	111,935	198,891
Online game subscription income	14,612	71,344
Licensing income	4,280	4,545
Sales of furniture and household goods and electrical appliances, net of discounts and returns	393,937	437,151
	524,764	711,931

(4) Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely, financial services, online game services and retailing. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows :

Financial services	Broking, financing, corporate finance services and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and electrical appliances

Subsequent to the balance sheet date, the disposal of 60% interest of Hong Kong retail business by the Group was completed on 6 July 2009 (details of which are set out in the section headed "Review and Prospects" under sub-heading "Material Acquisition and Disposals" in this report), the Group will continue to engage in the retailing of furniture and household operations.

Segment information about these businesses is presented as follows:

Income statement for the six months ended 30 June 2009

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
Revenue	111,935	18,892	393,937	524,764
Segment (loss) profit	(15,751)	(12,331)	498	(27,584)
Net gain on financial assets at fair value through profit and loss				12,399
Finance costs				(3,199)
Unallocated corporate expenses				(30,624)
Loss before taxation				(49,008)
Taxation charge				(1,200)
Loss for the period				(50,208)

Income statement for the six months ended 30 June 2008

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
Revenue	198,891	75,889	437,151	711,931
Segment profit (loss)	42,401	(42,077)	(6,458)	(6,134)
Net loss on financial assets at fair value through profit and loss				(54,572)
Gain on dilution of shareholding in subsidiaries				42,256
Finance costs				(1,382)
Unallocated corporate expenses				(33,233)
Loss before taxation				(53,065)
Taxation charge				(4,892)
Loss for the period				(57,957)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). For the activities of financial services and retailing, they are mainly based in Hong Kong and the revenue of these activities are substantially derived from Hong Kong. The online game business activities are mainly based in the PRC and the revenue of these activities are derived mainly from the PRC.

	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Hong Kong	510,152	631,649
PRC	14,612	59,075
Taiwan (Note)	—	21,207
	524,764	711,931

Note: The subsidiaries in Taiwan have been disposed during the year ended 31 December 2008.

(5) Taxation charge

	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Profits tax:		
— PRC	—	—
— Hong Kong	1,200	4,892
	1,200	4,892

Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) on the estimated assessable profits for both periods.

(6) Loss per share

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2009 together with the comparative figures for the prior period are based on the following data:

	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to equity holders of the Company	(41,532)	(80,281)

	Unaudited six months ended 30 June 2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	180,505,148	180,505,148
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	14,674,446	—
Effect of dilutive potential ordinary shares assumed exercise of share options	3,257,678	3,690,330
Weighted average number of ordinary shares for the purpose of diluted loss per share	198,437,272	184,195,478

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effect of the share consolidation on 10 June 2008.

(7) Account receivables

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	239,893	72,199
Cash clients	72,859	36,425
Margin clients	151,289	97,185
Clients of subscription for initial public offerings ("IPOs")	501,565	—
Account receivables arising from the business of dealing in futures and options:		
Clients	65	65
Clearing houses, brokers and dealers	93,947	94,719
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	1,040	2,349
Account receivables arising from the business of provision of corporate finance services	743	1,100
Account receivables arising from the business of provision of online game services	1,802	1,881
	1,063,203	305,923

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

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment plans and products, account receivables arising from the business of provision of corporate finance services and online game services, the Group allows a credit period of 30 to 90 days. The aged analysis is as follows:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
0–30 days	725	3,382
31–60 days	357	499
61–90 days	145	523
Over 90 days	2,358	926
	3,585	5,330

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 of the Company, 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 are amounts due from certain related parties, the details of which are as follows:

Name	Balance at 1 January 2009	Balance at 30 June 2009	Maximum amount outstanding during the period	Market value of pledged securities at fair value at 30 June 2009
	HK$'000	HK$'000	HK$'000	HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note 1)	—	—	11,149	—
Mr Wong Kin Yick Kenneth and associates (Note 2)	222	277	283	1,805
Director of CFSG				
Mr Cheng Man Pan Ben and associates	29	150	5,173	3,876
Substantial shareholder of the Company				
Mr Kwan Pak Hoo Bankee and associates	—	—	8,523	—

Notes:

(1) Associates are defined in accordance with the Listing Rules.

(2) Mr Wong Kin Yick Kenneth resigned as executive directors of both the Company and CFSG during the year ended 31 December 2008.

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

(8) Account payables

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	429,469	400,345
Margin clients	276,151	120,928
Account payables to clients arising from the business of dealing in futures and options	154,616	167,545
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	317	357
Account payables arising from the business of the online game services	7,425	2,334
Trade creditors arising from retailing business	123,606	132,084
	991,584	823,593

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Except for the amount payables 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 of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Account payables to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. 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 of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The following is an aged analysis of trade creditors arising from the business of the retailing business at the balance sheet date:

	30 June 2009 (Unaudited) HK$'000	31 December 2008 (Audited) HK$'000
0–30 days	58,246	54,166
31–60 days	40,714	34,877
61–90 days	20,219	17,537
Over 90 days	4,427	25,504
	123,606	132,084

(9) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, deposits with brokers, borrowings, account receivables, other receivables, loan receivables, loan to an associate, account payables, other payables, derivative financial instruments and loan from a minority shareholder. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities and derivative financial instruments. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and derivative financial instrument.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole period. A 30 percent change is used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

For the period ended 30 June 2009, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss would decrease/increase by HK$13.5 million (2008: the Group's profit would increase/decrease by HK$14.9 million). This is mainly attributable to the changes in fair values of the listed investments held for trading.

For derivative financial instruments, the Group has obligations to take up equity securities based on the relevant contract. In addition, since these contracts are mark-to-market at reporting date, the Group will have profit and loss exposure in these contracts. No sensitivity analysis is prepared as the impact for the remaining contracts are expected to be insignificant.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the period-end exposure does not reflect the exposure during the period. An unexpected decrease in market bid price may result in the Group suffering significant loss due to the leverage feature.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed-rate loan receivables and deposits with brokers. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 100 (2008: 100) basis point change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole period. For the period ended 30 June 2009, if the interest rate of bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's loss would decrease/increase by HK$3.9 million (2008: the Group's profit would increase/decrease by HK$4.2 million). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.

Foreign currency risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated account receivables with foreign brokers and bank balances. The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

More than 90% of financial assets and financial liabilities of the Group are denominated in United States Dollar ("US$") or Hong Kong Dollars ("HK$"), while US$ is not the functional currency of the group entity. As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the balance sheet date.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on loan to an associate, the Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties and customers.

Bank balances and deposits are placed in various authorised institutions and the directors of the Company consider the credit risk of such authorised institutions is low.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from (1) timing difference between settlement with clearing houses or brokers and customers and (2) derivative financial instruments (trading as accumulator) if it has difficulties in fulfilling its obligation to purchase the agreed amount of equity securities at any agreed point as set out in the contract. Securities market bid price and the associated volatility will affect the Group's future cash flows and profit and loss. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

For retailing and online game services activities, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

(10) Share capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2009 and 30 June 2009	3,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 January 2009 and 30 June 2009	180,505	18,051

(11) Contingent liabilities

On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("Cosmos"), a subsidiary of the Company, under which the Petitioner claimed that Cosmos was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of Cosmos on the same date and Cosmos is now in the process of liquidation. Cosmos is a dormant company and the winding up of Cosmos will not have any material impact to the operation of the Group.

(12) Related party transactions

The Group had the following significant transactions with related parties during the period:

	Notes	Unaudited six months ended 30 June 2009 HK$'000	2008 HK$'000
Commission and interest income received from the following substantial shareholder of the Company	(a)		
Mr Kwan Pak Hoo Bankee and associates		21	58
Commission and interest income received from the following directors of the Company	(b)		
Mr Lin Che Chu George and associates		9	7
Mr Law Ping Wah Bernard and associates		23	26
Mr Wong Kin Yick Kenneth and associates	(c)	97	77
		129	110
Commission and interest income received from the following directors of CFSG	(d)		
Mr Cheng Man Pan Ben and associates		19	25
Mr Yuen Pak Lau Raymond and associates	(e)	7	5
		26	30

Notes:

(a) During the six months ended 30 June 2009, the Group received commission and interest income from margin financing of approximately HK$21,000 (2008: HK$58,000) from substantial shareholder of the Company.

(b) During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK$129,000 (2008: HK$110,000) from certain directors of the Company.

(c) Mr Wong Kin Yick Kenneth resigned as executive directors of both the Company and CFSG during the year ended 31 December 2008.

(d) During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK$26,000 (2008: HK$30,000) from certain directors of CFSG.

(e) Mr Yuen Pak Lau Raymond was appointed as an executive director of CFSG during the year ended 31 December 2008 and therefore his comparative figures in 2008 are restated.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: Nil).

Review and Prospects

Financial Review

Financial Performance

For the six months ended 30 June 2009, the Group recorded revenue of HK$524.8 million as compared to HK$711.9 million for the same period last year. The significant decrease in revenue was mainly due to a drop in financial services income recorded by the Group's financial services division (CFSG) in the current period under review. Like most of the local and worldwide financial services houses and retailers which had been worst hit by the financial crisis in half a century, the Group had encountered the toughest times during the first half of the current year. In the wake of the unprecedented financial crisis and economic downturn, the Group had swiftly come up with its strategic management decisions and pursued all necessary stringent measures and actions to weather these difficult moments, and had successfully managed to reduce the net loss to HK$50.2 million for the six months ended 30 June 2009 from a net loss of HK$58.0 million of last corresponding period.

Financial Services — CASH Financial Services Group ("CFSG")

For the six months ended 30 June 2009, CFSG recorded a net loss of HK$15.8 million as compared to a net profit of HK$42.4 million as recorded in the same period of last year. The recorded loss was mainly due to the dramatic fall in commission revenue amid the extremely poor financial environment. Being one of the leading financial services groups in Hong Kong, CFSG's brokerage business had been hit hard by the worst financial turmoil in the recent history of the global financial world after the collapse of Lehman Brothers in October 2008. The already bearish investment sentiment brought about by the financial crisis had been further clouded by the banks' concerted actions to tighten, if not suspend, all sorts of credit lines in both local and global markets amid the fears that more financial and commercial giants with severe financial difficulties would suffer the same fate of Lehman Brothers as the financial tsunami spread from the US to the rest of the world. With the Hang Seng Index having slid 67% from its top in late 2007 to its low at 10,515 in late 2008, the market turnover in Hong Kong for the first half of 2009 were down 33.5% from the same period of 2008. As a result of the poor investment sentiment, CFSG recorded revenue of HK$111.9 million for the period as compared to HK$198.9 million for the same period of the previous year. The significant decrease was attributable to the reduction in both the commission income generated from CFSG's brokerage business and interest income from its financing activities. After coming across the most difficult times in recent years, CFSG had seen its brokerage business start improving towards the end of the second quarter of the year as the optimistic sentiment began to take hold in the city after the governments all over the world began to pursue all necessary fiscal and monetary measures to restore the financial orders and to pull their countries out of recession.

Retail Management — CASH Retail Management Group ("CRMG")

In the first half of the current year, CRMG's retail business had been hit hard by the weak consumer spending during a global downturn that had seen people suffer pay cuts and lay-offs. At the height of the financial crisis with the domestic economy going into a recession which would be much worse than that caused by the Asian financial crisis, CRMG had decisively consolidated its retail outlets by closing down five underperforming shops in the first quarter of the year. To further strengthen its position as the leading retailer of high quality furniture and household products, CRMG had pursued a differentiation strategy by rendering more value added services to its clients while keeping its commitment to continuous provision of products of high quality at reasonable prices. For the six months ended 30 June 2009, CRMG recorded a 9.9% drop in revenue to HK$393.9 million (2008: HK$437.1 million) but had still been able to achieve a profit of HK$0.5 million as compared to a loss of HK$6.5 million for the last corresponding period. As Hong Kong's economy had already returned to stability in the middle of the second quarter of the year, CRMG had since then seen the sales begin to pick up and resolved to open 4 new stores in the second half of the year in the hope of recouping some of the loss in revenue during the first six-month period.

Online Game Business — Moli Group

For the six months ended 30 June 2009, Moli Group's revenue fell by 75.1% year-on-year to HK$18.9 million. In view of last year's unsatisfactory performance for the its online game business, a thorough organizational and operational reengineering in Moil Group had been undertaken during the period under review, which had caused to postpone the commercial launch of some major games during the first half of the year. This, in turn, had accounted for the substantial drop in revenue for the first half of the year. With the stringent cost controls implemented alongside the reengineering during the period, Moli Group had recorded a reduction in the operating loss to HK$12.3 million from a loss of HK$42.1 million for the same period last year. With the reengineering scheduled to be completed in the third quarter, Moli Group will continue to launch new games, either developed in-house or licensed from local or overseas developers, on a regular basis on various styles of storylines and designs to expand and diversify its game portfolio. Moli Group will launch strict measures to combat the operations of illegal pivate servers to secure the stability of Moli Group's normal operations.

Liquidity and Financial Resources

The Group's total equity amounted to HK$634.1 million on 30 June 2009 as compared to HK$628.7 million at the end of last year. The minor net increase in equity was due to combined results of the net loss and an increase of minority interests for the period.

On 30 June 2009, our cash and bank balances were HK$1,094.1 million as compared to HK$971.3 million at the end of the previous year. Our liquidity ratio on 30 June 2009 remained healthy at 1.05 times as compared with 1.10 times on 31 December 2008.

Our total borrowings on 30 June 2009 were HK$1,234.1 million as compared with the total borrowings of HK$511.3 million on 31 December 2008. The substantial increase in borrowings was due to the short-term loans and mortgage loans which were respectively drawn down to refinance the IPOs at the end of the period and the acquisition of several properties in February this year. As a result of the increase in the borrowings, the ratio for our interest bearing borrowings (not including loans for IPOs refinancing) to total equity increased to 1.17 on 30 June 2009 from 0.81 on 31 December 2008.

The bank borrowings drawn to fund securities margin financing were collateralised by CFSG's margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Cash deposits of HK$89.0 million were pledged as collaterals for the general banking facilities granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group had maintained deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted to the Group.

As at 30 June 2009, the Group's property at its market value of approximately HK$65.0 million was pledged to secure a bank term loan and general banking facilities granted to us.

Save as aforesaid, the Group had no other material contingent liabilities at the period-end.

Foreign Exchange Risks

As at the end of the period, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material Acquisitions and Disposals

In February 2009, the acquisition of an investment holding company, which owns three properties in Hong Kong and the PRC, at final consideration of HK$43,243,000 was completed. A convertible note in the principal amount of HK$43,243,000 was issued by the Company to the controlling shareholder as consideration for the acquisition. Also, the Group entered into an agreement to acquire the remaining 30% equity interest in a non-wholly-owned subsidiary from minority shareholders at a consideration of HK$1,400,000 in cash. Completion took place on 20 February 2009.

In March 2009, the Group entered into an agreement with an independent third party to dispose of an unlisted share investment of the Group at the consideration of HK$13,980,000 in cash. Completion took place on the same date of the agreement of 24 March 2009.

In April 2009, the Group entered into a preliminary agreement with an independent third party to dispose of a residential property in Hong Kong at the consideration of HK$51,000,000 in cash. Completion took place on 15 July 2009.

The proposed disposal of 100% equity interest in CASH Retail Management (HK) Limited (together with its subsidiaries "Retail Group", which mainly engages in the retail business in Hong Kong, are part of CRMG's retail management division) by the Group to CFSG was approved by the shareholders of the Company at a special general meeting held on 11 June 2009, and the total final consideration was fixed at HK$310,340,000. Subsequent to the balance sheet date in July 2009, the disposal of 60% equity interest in the Retail Group at the consideration of HK$186,204,000 was completed. CFSG has issued to the Group a convertible note in the principal amount of HK$126,204,000 as part of the consideration and the Group has issued a purchaser call option to CFSG to acquire the remaining 40% equity interest in the Retail Group as consideration of HK$124,136,000. Details of the transactions were set out in the Company's announcement dated 19 December 2008 and the circular dated 26 May 2009.

Subsequent to the balance sheet date in August 2009, the Company announced the top up placing of 25 million shares at HK$2.00 per share. The transaction was completed on 17 August 2009 and the Company raised net proceeds of around HK$49.4 million for its general working capital.

Save as disclosed, the Group did not make any material acquisitions or disposals during the period.

Capital Commitments

The Group did not have any material capital commitment at the end of the period.

Material Investments

As at 30 June 2009, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$44.9 million and a gain on such investments of HK$12.4 million was recorded for the period.

We do not have any future plans for material investments, nor addition of capital assets.

Industry and Economic Review

After a notable contraction of 7.8% in the first quarter of 2009, the Hong Kong economy experienced a smaller decline of 3.8% in the second quarter. The economic situation also appeared to be stabilising. Thanks to vigorous stimulus measures by the Central Government, the Mainland economy regained much of its growth momentum, easing the Hong Kong recession.

The Hong Kong stock market recorded a conspicuous 33% year-on-year drop in average daily market turnover in the first half of 2009. However, there was a marked increase in economic activity driven by better market sentiment and abundant liquidity rather than an improvement in economic fundamentals.

On the retail front, total retail sales decreased by 4.5% in value and 5.4% in volume in the first half of 2009. The furniture and fixture sector experienced a greater decline, with a drop of 7.4% in value and 9.6% in volume. On the other hand, the property market saw strong uptake in the first half of 2009, with the total number of sales transactions in the second quarter of 2009 increasing by 28.8% compared with the same period last year.

Business Review

Though the global financial crisis has continued to weigh on the Hong Kong economy, CASH's diversified business base, covering financial services, retailing, lifestyle and online games, formed a solid foundation for the Group to ride out the challenging economic situation.

Financial Services — CFSG

The unprecedented financial turmoil hit the financial services industry hard in the first quarter while CFSG was no exception. Nonetheless, we have foreseen the slowdown in trading activities, and timely adjusted the business mix to stabilise our income source and contained our operating expenses to weather the turmoil. The market sentiment was much improved in the second quarter, resulting in increases in turnover and trading volume.

CFSG's asset management business was an important drive to its strategy of product and income diversification. Since the end of 2008, both asset under management and performance fee rose by nearly 50%, outperforming the market average of only 37%. CFSG plans to further develop its asset management business by launching new service and new investment plans to cater for different needs of clients.

During the period, CFSG continued with the proven strategy in its investment banking division to focus on financial advisory and corporate transactions. In view of the improved sentiment towards the IPO market, the Group will continue to increase fund raising projects in its pipeline.

Despite the unprecedented economic environment, CFSG's commitment in China remained unchanged. During the period, the four China offices were active in conducting seminars with local partners to provide market information to clients. Pursuant to the CEPA VI, discussions with its mainland partners were hastened for further and deeper co-operation. During the period, the Group continued to enhance its capabilities with a business model committed to long-term customer relationships and services in China.

Although there were increases in expenses spent on information technology, computer upgrades and premises rentals, CFSG managed to contain its operating expenses in other areas. During the period, CFSG deployed an advanced trading technology on its brokerage business to ensure direct market access to the world exchanges. The technology has proven effective and successful in bringing in more institutional businesses. To enhance its service to Mainland clients, CFSG upgraded its system interface and enhanced the stability of its state-of-the-art electronic trading platform.

In all, the Board continues to be cautious on the macroeconomic conditions, and believes that both Hong Kong and CFSG should have passed the bottom of the cycle in this challenging economic condition. However, the road of recovery will still be bumpy as there are still a number of impediments ahead. Looking forward, we will continue to prudently manage our cost structure and strengthen our operation control while we expand our market share with a more aggressive business approach and a more comprehensive range of products and services.

Retail Management — CRMG

PRICERITE

The period under review saw the local economy battered by the unprecedented financial tsunami. Customers remained cautious about spending, taking more time to seek good value, thus delaying buying decisions.

Since the last quarter of 2008, when consumer sentiment started to tumble, management has taken a series of precautionary actions to rationalise the cost structure and retail strategies. These measures included consolidating the retail network by closing down or replacing under-performing stores; improving operating efficiencies by further reducing fixed overheads, such as head office rental; re-allocating the product mix to better serve customer needs in basic and commodity items; and closer cooperation with vendors and marketing partners to launch different types of joint promotions.

Such efforts have improved overall operating efficiency and competitiveness and preserved our financial strength. While we experienced a slight drop in overall transactions as demand in durable goods and furniture series decreased, we managed to achieve growth in small and individual furniture items and average ticket size. In addition, our membership base continued to grow to around 180,000.

During the period under review, Pricerite received several renowned service awards in recognition of our highly effective people-oriented approach and relentless efforts in service enhancement programmes. These included the Hong Kong Premier Service Brand Award and the Most Popular Brand On-line Award by the Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong.

As local economic conditions and Pricerite's business have increasingly shown signs of recovery, the company resumed a growth strategy in the second quarter of 2009, taking a more aggressive approach to expand our market coverage. This has involved securing several new stores in prime locations as well as investing more resources to strengthen our core competencies in products, services and marketing, and brand equity.

Entertainment Portal — Moli Group

During the period under review, Moli Group focused on regular maintenance and patch updates for existing games. We also launched closed beta testing for "Runes of Magic", a new massively multiplayer online role-playing game (MMORPG), which has been well received by players. Overseas operations of "King of Pirate Online" in North America, South-East Asia and Russia have remained steady and we have continued to receive a positive reception from overseas operators and gamers for patch and item updates.

Looking ahead, we will continue to leverage our operational and research and development capabilities to enhance game players' experience and interest in our existing portfolio. We plan to enhance in-house development capabilities to maintain current game titles and extend their life cycle, and prepare for the development of new games. We will also actively seek opportunities to introduce more game titles to expand our product pipeline and generate subsequent income.

Prospects

In the first half of 2009, the financial crisis had certain adverse impact on our businesses. Nonetheless, with numerous governments implementing monetary-easing measures, western economies seem to have stabilised, with the Mainland economy leading the recovery. It is expected that the Hong Kong economy will benefit from healthy domestic demand and the Mainland's abundant liquidity.

As such, the Group remains cautiously optimistic about Hong Kong's economic outlook. The Board believes that it is cost-effective to expand market share in low times by taking a more aggressive but disciplined business approach. We will adopt a growth strategy in preparation for a market upswing. However, as the recovery outlook for most major economies remains uncertain, we will also continue to focus on operational and cost efficiencies.

Employee Information

At 30 June 2009, the Group had 1,238 employees, of which 278 were at CFSG and its subsidiaries. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$101.1 million.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation is designed to integrate the employees into the Group and, the directors believe, helps improve productivity of new employees at an early stage.

Directors' Interests in Securities

As at 30 June 2009, the interests and 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 SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

A. The Company

(a) *Long positions in the ordinary shares*

		Number of shares		
Name	Capacity	Personal	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	66,398,512[1]	36.78
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	3.76
Lin Che Chu George[2]	Beneficial owner	230,000	—	0.13
		7,014,060	68,398,512	40.67

Notes:

(1) The shares were held by Cash Guardian Limited ("Cash Guardian"). Mr Kwan Pak Hoo Bankee 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.

(2) Mr Lin Che Chu George resigned as director of the Company subsequent to the review period on 17 September 2009.

(b) *Long positions in the underlying shares*

(i) *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 2009	granted on 13 March 2009 (Notes (2) & (3))	lapsed during the period	outstanding as at 30 June 2009	Percentage to issued shares as at 30 June 2009 (%)
Kwan Pak Hoo Bankee	6/6/2007	6/6/2007-31/5/2009	2.450	(1)	500,000	–	(500,000)	–	–
	13/3/2009	13/3/2009-31/3/2011	1.130	(1)	–	1,800,000	–	1,800,000	1.00
Law Ping Wah Bernard	6/6/2007	6/6/2007-31/5/2009	2.450		500,000	–	(500,000)	–	–
	13/3/2009	13/3/2009-31/3/2011	1.130		–	1,800,000	–	1,800,000	1.00
Lin Che Chu George	6/6/2007	6/6/2007-31/5/2009	2.450	(6)	500,000	–	(500,000)	–	–
	13/3/2009	13/3/2009-31/3/2011	1.130	(6)	–	1,800,000	–	1,800,000	1.00
					1,500,000	5,400,000	(1,500,000)	5,400,000	3.00

Notes:

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

(2) The closing price of the share immediately before the date of grant of options on 13 March 2009 was HK$1.130.

(3) The fair value of the options granted by the Company to the directors during the period totalled approximately HK$176,000. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading of "Share option schemes" below.

(4) The options are held by the directors in the capacity of beneficial owners.

(5) No option was exercised or cancelled during the period.

(6) Mr Lin Che Chu George resigned as director of the Company subsequent to the review period on 17 September 2009.

(ii) Convertible note

Name	Date of convertible note	Conversion period	Conversion price per share (subject to adjustment) (HK$)	Number of underlying shares as at 30 June 2009	Percentage to issued shares as at 30 June 2009 (%)
Kwan Pak Hoo Bankee	17/2/2009	17/8/2009–31/12/2011	1.00	43,243,000	23.96

Note: The convertible note in the principal amount of HK$43,243,000 was held by Cash Guardian. Mr Kwan Pak Hoo Bankee 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. Associated corporations (within the meaning of SFO)

(i) CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	8,168,000	315,121,198[1]	52.39
Law Ping Wah Bernard	Beneficial owner	13,771,120	—	2.23
Lin Che Chu George[2]	Beneficial owner	5,913,600	—	0.96
		27,852,720	315,121,198	55.58

Notes:

(1) The shares were held as to 298,156,558 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 16,964,640 shares by Cash Guardian. The Company was owned as to approximately 36.78% by Cash Guardian. Mr Kwan Pak Hoo Bankee 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.

(2) Mr Lin Che Chu George resigned as director of the Company subsequent to the review period on 17 September 2009.

(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: outstanding as at 1 January 2009	granted on 15 June 2009	outstanding as at 30 June 2009	Percentage to issued shares as at 30 June 2009 (%)
Kwan Pak Hoo Bankee	15/06/2009	15/06/2009-30/06/2013	0.734	(1) & (2)	–	5,000,000	5,000,000	0.81
Law Ping Wah Bernard	15/06/2009	15/06/2009-30/06/2013	0.734	(2)	–	5,000,000	5,000,000	0.81
Lin Che Chu George	15/06/2009	15/06/2009-30/06/2013	0.734	(2) & (3)	–	5,000,000	5,000,000	0.81
					–	15,000,000	15,000,000	2.43

Notes:

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

(2) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.

(3) Mr Lin Che Chu George resigned as director of the Company subsequent to the review period on 17 September 2009.

(ii) Netfield Technology Limited (incorporated in the British Virgin Islands) ("Netfield (BVI)")

Long positions in the underlying shares

On 9 January 2007 (as amended on 22 January 2007), Mr Lin Che Chu George (an executive director of the Company during the review period) was granted of an option to acquire from the Group such number of shares in Netfield (BVI) (a subsidiary of the Group) as representing 10% of the issued share capital in Netfield (BVI) for a cash consideration of HK$12 million. The option is exercisable during the 12-month period immediately before and after the securities of Netfield (BVI) or its holding company become listed on any recognised stock exchange, in whole or in part by Mr Lin.

Save as disclosed above, as at 30 June 2009, none of the directors, chief executive or their associates had any interests and 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) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

The Company

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 2009 were as follows:

				Number of options			
Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2009	granted during the period (Notes (2) & (5))	lapsed during the period (Note (3))	outstanding as at 30 June 2009
Directors							
6/6/2007	6/6/2007-31/5/2009	2.450	(1)	1,500,000	—	(1,500,000)	—
13/3/2009	13/3/2009-31/3/2011	1.130	(1)	—	5,400,000	—	5,400,000
				1,500,000	5,400,000	(1,500,000)	5,400,000
Employees							
30/5/2007	30/5/2007-31/5/2009	2.400		1,540,000	—	(1,540,000)	—
6/6/2007	6/6/2007-31/5/2009	2.450		6,960,000	—	(6,960,000)	—
13/3/2009	13/3/2009-31/3/2011	1.130		—	11,900,000	—	11,900,000
				8,500,000	11,900,000	(8,500,000)	11,900,000
				10,000,000	17,300,000	(10,000,000)	17,300,000

Notes:

(1) Details of the options granted to the directors are set out in the section headed "Directors' interests in securities".

(2) The closing price of the share immediately before the date of grant of options on 13 March 2009 was HK$1.130.

(3) The lapsed options were due to expiry or cessation of employment of participants with the Group.

(4) No option was exercised or cancelled during the period.

(5) During the six months ended 30 June 2009, the share options granted on 13 March 2009 was fully vested. The estimated fair values of the share options granted on this date are approximately HK$565,000.

The fair values are calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	Share options grant date 13 March 2009
Weighted average share price	HK$1.644
Exercise price	HK$1.130
Expected volatility	57.96%
Expected life	2 years
Risk-free rate	1.43%
Expected dividend yield	Nil

The subsidiaries

(i) CFSG

Details of share options to subscribe for shares in CFSG granted to participants under the share option scheme of CFSG during the six months ended 30 June 2009 were as follows:

				Number of options			
Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2009	adjusted on 19 March 2009 (Note (5))	granted during the period	outstanding as at 30 June 2009
Directors							
15/6/2009	15/6/2009-30/6/2013	0.734	(1)	—	—	15,000,000	15,000,000
Employees and consultants							
7/7/2006	7/7/2006-31/7/2010	1.180	(2) & (5)	113,000	11,000	—	124,000
15/6/2009	15/6/2009-30/6/2013	0.734	(1)	—	—	15,000,000	15,000,000
15/6/2009	15/6/2009-30/6/2013	0.734	(3)	—	—	9,000,000	9,000,000
22/6/2009	22/6/2009-30/6/2013	0.720	(4)	—	—	20,000,000	20,000,000
				113,000	11,000	44,000,000	44,124,000
				113,000	11,000	59,000,000	59,124,000

Notes:

(1) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.

(2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.

(3) The options were vested in 3 tranches as to (i) 30% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013; (ii) 30% exercisable from the commencement of the expiry of 2 years from the date of grant (ie 15 June 2011) up to 30 June 2013; and (iii) 40% exercisable from the commencement of the expiry of 3 years from the date of grant (ie 15 June 2012) up to 30 June 2013.

(4) The exercise of options were subject to delivery of services to members of the Group as determined at the sole discretion of the board of directors of CFSG.

(5) The number and the exercise price of CFSG's share options which remained outstanding have been adjusted from 113,000 shares and HK$1.310 per share to 124,000 shares and HK$1.180 per share respectively with effect from 19 March 2009, due to the rights issue of CFSG.

(6) No option was lapsed, exercised or cancelled during the period.

(ii) Netfield Technology Limited (incorporated in Bermuda) ("Netfield (Bermuda)")

No option has been granted under the share option scheme since its adoption by Netfield (Bermuda) on 6 June 2008.

Substantial Shareholders

As at 30 June 2009, so far as is known to the directors and chief executive of the Company, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital, or were otherwise notified to the Company and 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)	Trustee of a discretionary trust	66,398,512	36.78
Cash Guardian (Note)	Interest in a controlled corporation	66,398,512	36.78

Note: This refers to the same number of shares held by Cash Guardian (which is 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 Pak Hoo Bankee and Jeffnet Inc were deemed to be interested in the shares held by Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan Pak Hoo Bankee in the section headed "Directors' interests in securities" above.

Save as disclosed above, as at 30 June 2009, so far as is known to the directors and chief executive of the Company, no other parties (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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance

During the accounting period from 1 January 2009 to 30 June 2009, the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules with except for the deviations summarised as follows:

CG Code		Deviation and reason
A.2.1	The roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company with effect from 8 May 2009. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2009.

Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the 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 2009 have not been reviewed by the auditor 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 2009, 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 & CEO

Hong Kong, 18 September 2009

As at the date of this report, the directors of the Company are:

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin