Celestial Asia Securities Holdings Limited

(Stock Code:1049)

Interim Results 2007

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 2007 together with the comparative figures for the last corresponding period are as follows:

	Notes	**Unaudited six months ended 30 June 2007 HK$'000**	2006 HK$'000
Revenue	(3)	**726,093**	178,922
Other income		**4,141**	–
Cost of sales for retailing business		**(230,522)**	–
Salaries, allowances and commission		**(106,603)**	(90,061)
Other operating, administrative and selling expenses		**(297,183)**	(57,458)
Depreciation and amortisation		**(18,581)**	(7,607)
Finance costs		**(42,660)**	(27,395)
Net gain on investments held for trading		**43,398**	3,034
Loss on dilution of shareholding in subsidiary		**–**	(4,006)
Share of profit in associate	(5)	**–**	13,118
Gain on disposal of partial interest in associate		**–**	12,904
Impairment loss recognised in respect of goodwill		**–**	(5,000)
Profit before taxation		**78,083**	16,451
Taxation charge	(6)	**(10,437)**	(4,090)
Profit for the period		**67,646**	12,361
Attributable to shareholders:			
Equity holders of the Company		**26,694**	1,964
Minority interests		**40,952**	10,397
		67,646	12,361
Earnings per share	(7)		
– Basic		**4.1 HK cents**	0.4 HK cent
– Diluted		**4.0 HK cents**	0.4 HK cent

Consolidated Balance Sheet

	Note	**30 June 2007 (Unaudited) HK$'000**	31 December 2006 (Audited) HK$'000
Non-current assets			
Property and equipment		**102,371**	98,750
Prepaid lease payments		**16,170**	16,378
Investment property		**5,000**	5,000
Available-for-sale investments		**–**	33,392
Goodwill		**212,734**	212,027
Shareholder's loan to associate		**10,296**	–
Intangible assets		**83,186**	68,712
Other assets		**8,947**	16,241
Loan receivables		**90**	656
Deferred tax assets		**1,575**	1,575
		440,369	452,731
Current assets			
Inventories		**55,331**	49,624
Account receivables	(8)	**3,586,474**	782,181
Loan receivables		**20,267**	19,275
Prepayments, deposits and other receivables		**94,897**	58,454
Receivable for disposal of an associate		**–**	76,187
Amounts due from associates		**–**	373
Listed investments held for trading		**44,586**	49,325
Bank deposits under conditions		**91,636**	78,075
Bank balances – trust and segregated accounts		**778,763**	574,577
Bank balances (general accounts) and cash		**129,666**	168,569
		4,801,620	1,856,640

	Note	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Current liabilities			
Account payables	(9)	**1,239,682**	1,071,830
Deferred revenue		**20,799**	8,027
Accrued liabilities and other payables		**166,439**	109,467
Payable for acquisition of subsidiaries		**–**	100,590
Taxation payable		**14,231**	4,869
Obligations under finance leases – amount due within one year		**80**	756
Borrowings – amount due within one year		**3,198,069**	405,189
		4,639,300	1,700,728
Net current assets		**162,320**	155,912
Total assets less current liabilities		**602,689**	608,643
Capital and reserves			
Share capital	(11)	**65,623**	65,623
Reserves		**237,596**	239,332
Equity attributable to equity holders of the Company		**303,219**	304,955
Share option reserve of a listed subsidiary		**2,496**	2,496
Minority interests		**273,210**	259,880
Total equity		**578,925**	567,331
Non-current liabilities			
Deferred tax liabilities		**8,494**	8,494
Loan from joint venture		**13,705**	–
Obligations under finance leases – amount due after one year		**–**	541
Borrowings – amount due after one year		**1,565**	32,277
		23,764	41,312
		602,689	608,643

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June 2007 HK$'000	2006 HK$'000
Net cash used in operating activities	**(2,818,645)**	(3,471)
Net cash used in investing activities	**(10,354)**	(81,245)
Net cash from financing activities	**2,790,096**	165,579
Net (decrease) increase in cash and cash equivalents	**(38,903)**	80,863
Cash and cash equivalents at beginning of period	**168,569**	118,219
Cash and cash equivalents at end of period	**129,666**	199,082
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	**129,666**	199,082

Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2007

	Note	Attributable to equity holders of the Company										Share option reserve of a listed subsidiary	Minority interests	Total
		Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Translation reserve	Share option reserve	Investment revaluation reserve	Accumulated profits	Total			
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2007		65,623	137,398	16,724	1,160	12,314	(288)	422	29,659	41,943	304,955	2,496	259,880	567,331
Increase shareholding interest in subsidiary	(a)	–	–	–	–	–	–	–	–	–	–	–	(12,757)	(12,757)
Disposal of available-for-sale investments		–	–	–	–	–	–	–	(29,659)	–	(29,659)	–	–	(29,659)
2006 CASH Financial Services Group Limited ("CFSG") final dividend paid		–	–	–	–	–	–	–	–	–	–	–	(14,865)	(14,865)
Increase revaluation		–	–	–	–	100	–	–	–	–	100	–	–	100
Recognition of employee share option benefits		–	–	–	–	–	–	1,129	–	–	1,129	–	–	1,129
Net profit for the period		–	–	–	–	–	–	–	–	26,694	26,694	–	40,952	67,646
At 30 June 2007		65,623	137,398	16,724	1,160	12,414	(288)	1,551	–	68,637	303,219	2,496	273,210	578,925

Unaudited six months ended 30 June 2006

	Notes	Attributable to equity holders of the Company							Convertible loan note equity reserve	Share option reserve and translation reserve	Minority interests	Total
		Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Accumulated profits	Total				
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2006		43,748	99,512	16,724	1,160	12,314	9,886	183,344	581	883	179,273	364,081
Issue of new shares by subsidiary	(b)(i),(ii) & (iii)	–	–	–	–	–	–	–	–	–	79,380	79,380
Conversion of CFSG's convertible loan note	(b)(ii)	–	–	–	–	–	–	–	(308)	–	–	(308)
Arising from partial repayment of CFSG's convertible loan note	(b)(ii)	–	–	–	–	–	–	–	(273)	–	–	(273)
Exchange difference arising from translation of foreign operations		–	–	–	–	–	–	–	–	64	–	64
Net profit for the period		–	–	–	–	–	1,964	1,964	–	–	10,397	12,361
At 30 June 2006		43,748	99,512	16,724	1,160	12,314	11,850	185,308	–	947	269,050	455,305

Notes:

(a) In June 2007, Celestial Investment Group Limited (a wholly-owned subsidiary of the Company) purchased 32,468,000 shares in CFSG at a price of HK$0.38 per share. The Group's interest in CFSG was increased from 46.22% to 48.55%.

(b) (i) On 10 January 2006, 155,000,000 CFSG's shares of HK$0.10 each at a placing price of HK$0.40 per a CFSG's share and 120,000,000 CFSG's shares of HK$0.10 each at a subscription price of HK$0.40 per a CFSG's share were issued by CFSG.

(ii) On 18 January 2006, 60,000,000 CFSG's shares of HK$0.10 each at a conversion price of HK$0.27 per a CFSG's share were issued by CFSG upon the exercise of partial conversion right attaching to the convertible loan note issued on 1 September 2004 by the noteholder in the amount of HK$16,200,000.

(iii) On 26 January 2006, 1,170,000 CFSG's shares of HK$0.10 each were issued by CFSG upon exercise of share options in CFSG by option holders at an exercise price of HK$0.34 per a CFSG's share.

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(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 2006.

The new standards, amendment or interpretations which become effective and therefore are adopted in 2007 have no material impact on the results and financial position of the Group.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these standards, amendment or interpretations will also have no material impact on the results and the financial position of the Group.

HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2 – Group and Treasury Share Transactions[2]
HK(IFRIC) – INT 12	Service concession arrangements[3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 March 2007.
3 Effective for annual periods beginning on or after 1 January 2008.

(3) Revenue

	Unaudited six months ended 30 June 2007 HK$'000	2006 HK$'000
Fees and commission income	**253,479**	173,193
Online game services income and sale of online game auxiliary products	**75,768**	5,729
Licensing income	**2,243**	–
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**394,603**	–
	726,093	178,922

The Group signed a sale and purchase agreement to acquire the entire interest on the Hong Kong retail businesses from CASH Retail Management Group Limited ("CRMG") on 20 February 2006. This acquisition was completed on 30 June 2006. As a result, the financial results of the retail business is consolidated to the Group's results since 30 June 2006.

(4) Business and geographical segments

Business segments

For management purposes, the Group is currently organised into four main operating divisions, namely, financial services, online game services, retailing, investment holding. The online game services division arose from acquisition of online game business on 10 January 2006 and the retailing division arose from acquisition of retailing business on 30 June 2006. 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, wealth management 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 trendy digital products
Investment holding	Strategic investments

Segment information about these businesses is presented as follows:

Income statement for the six months ended 30 June 2007

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Investment holding HK$'000	Consolidated HK$'000
Revenue	253,479	78,011	394,603	–	726,093
Segment profit (loss)	76,204	(7,483)	(15,682)	–	53,039
Net gain on investments held for trading					43,398
Finance costs					(1,980)
Unallocated corporate expenses					(16,374)
Profit before taxation					78,083
Taxation charge					(10,437)
Profit for the period					67,646

Income statement for the six months ended 30 June 2006

	Financial services HK$'000	Online game services HK$'000	Investment holding HK$'000	Consolidated HK$'000
Revenue	173,193	5,729	–	178,922
Segment profit (loss)	33,294	(14,578)	(128)	18,588
Net gain on investments held for trading				3,034
Share of profit in associate				13,118
Finance costs				(4,875)
Unallocated corporate expenses				(17,312)
Impairment loss recognised in respect of goodwill				(5,000)
Gain on disposal of partial interest in associate				12,904
Loss on dilution of shareholding in subsidiary				(4,006)
Profit before taxation				16,451
Taxation charge				(4,090)
Profit for the period				12,361

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. 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 PRC and Taiwan and the revenue of these activities are derived mainly from PRC and Taiwan.

	Unaudited six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Hong Kong	**647,403**	178,922
PRC	**48,550**	–
Taiwan	**30,140**	–
	726,093	178,922

(5) Share of profit in associate

On 1 January 2006, the Group held 443,572,587 shares (about 40.59% of the issued share capital as at that date) in CRMG. In February 2006, the Group disposed of 54,545,000 shares in CRMG at a total consideration of approximately HK$30 million and the Group held 389,027,587 shares (being about 35.60% of the issued share capital as at that date) in CRMG on 30 June 2006. The disposals resulted in a gain of approximately HK$13.1 million for the Group for the six months ended 30 June 2006.

In October 2006, the Group further disposed of 294,965,087 shares in CRMG at a total consideration of approximately HK$106 million. After this disposal, the Group held 94,062,500 shares (being about 8.61% of the issued share capital as at that date) in CRMG which was classified as available-for-sale investments instead of associate in the consolidated balance sheet since such disposal date.

In March 2007, the Group disposed of all the remaining 94,062,500 shares in CRMG at a total consideration of about HK$19.8 million and the Group did not hold any shareholding interest in CRMG on 30 June 2007. The sale of investments resulted in a gain of approximately HK$18.6 million for the Group for the six months ended 30 June 2007.

(6) Taxation charge

	Unaudited six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Profits tax:		
– PRC	**137**	–
– Hong Kong	**10,300**	1,590
Deferred taxation charge	**–**	2,500
	10,437	4,090

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profits for both periods.

No provision for taxation has been made for subsidiary located in Taiwan as no assessable profit had arisen for the period.

Certain subsidiaries of the Company are operating in PRC. They are subject to a tax rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone).

Part of the deferred tax asset of HK$2,500,000 had been utilised in 2006 due to assessable profit was expected to be earned by certain subsidiaries. No other deferred tax asset has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(7) Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2007 together with the comparative figures for 2006 are based on the following data:

	Unaudited six months ended 30 June	
	2007	2006
	HK$'000	HK$'000
Profit for the purpose of basic and diluted earnings per share (Profit for the period attributable to equity holders of the Company)	**26,694**	1,964
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**656,225,740**	437,483,827
Effect of dilutive potential ordinary shares on share options assumed exercise of share options	**11,516,708**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**667,742,448**	437,483,827

Earnings per share

	Unaudited six months ended 30 June	
	2007	2006
Basic earnings per share	**4.1 HK cents**	0.4 HK cent
Diluted earnings per share	**4.0 HK cents**	0.4 HK cent

The computation of diluted earnings per share for the six months ended 30 June 2006 does 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 for shares for that period.

(8) Account receivables

	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	191,398	125,450
Cash clients	154,101	112,334
Margin clients	456,179	443,524
Clients of subscription for initial public offerings ("IPOs")	2,693,267	–
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	77,811	83,847
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,455	3,479
Account receivables arising from the business of provision of corporate finance services	1,177	372
Account receivables arising from the business of provision of online game services	8,608	12,715
Trade debtors	478	460
	3,586,474	782,181

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.

Except for the loans to margin clients as mentioned below, all the account receivables arising from the business of dealing in securities and equity options aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

In previous period, included in account receivables from margin clients arising from the business of dealing in securities is an amount due from an entity in which Kwan Pak Hoo Bankee has a significant beneficial interest and is a Director. However, no such advance of this kind was outstanding during any time of the current period.

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 and trade debtors, the Group allows a credit period of 30-90 days. The aged analysis is as follows:

	30 June 2007	31 December 2006
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0–30 days	**11,528**	11,160
31–60 days	**851**	2,409
61–90 days	**72**	1,693
Over 90 days	**1,267**	1,764
	13,718	17,026

(9) Account payables

	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**780,910**	679,498
Margin clients	**168,213**	106,132
Account payables to clients arising from the business of dealing in futures and options	**136,218**	142,500
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**4,434**	2,798
Account payables arising from the business of the online game services	**12,086**	937
Trade creditors	**137,821**	139,965
	1,239,682	1,071,830

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.

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 excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

No aged analysis for the above account payables 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 aged analysis of other trade creditors at the balance sheet date is as follows:

	30 June 2007 (Unaudited) HK$'000	31 December 2006 (Audited) HK$'000 (restated)
0–30 days	**77,134**	57,994
31–60 days	**36,603**	37,843
61–90 days	**28,494**	32,879
Over 90 days	**7,676**	12,186
	149,907	140,902

(10) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, borrowings, account receivables, loan receivables and account payables. 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.

Financial risk management objectives and policies

Market risk

Equity price risk

The Group is exposed to equity price risk through its listed investments held for trading and available-for-sale investments. The board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Cash flow interest rate risk

Most of the bank borrowings, that are matured within 3 months and are collateralised by margin clients' securities, carry interest at variable rate which exposes the Group to cash flow interest rate risk. The Group currently does not have a cash flow interest rate hedging policy. However, management closely monitors its exposure to future cash flow risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arises.

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 30 June 2007 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.

The Group has significant concentration of credit risk on loan receivables and receivable for disposal of an associate as the credit risk are mainly attributable from certain limited counterparties, other than the aforesaid, there is no significant concentration of credit risk in trade debtors as the exposure spread over a number of counterparties and customers.

Bank balances 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 timing difference between settlement with clearing houses or brokers and clients. 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.

(11) Share capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007 and 30 June 2007	1,000,000	100,000
Issued and fully paid:		
At 1 January 2007 and 30 June 2007	656,226	65,623

(12) Contingent liabilities

Company and subsidiaries

(a) During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US$900,000 arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 in respect of each of Marr's cause of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. Accordingly, no provision has been made in the financial statements.

(b) On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 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 CGL on the same date and CGL is now in the process of liquidation.

(c) In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited, a non-wholly-owned subsidiary of the Company, for an amount of HK$1,662,598. The nature of claim is a winding-up petition. A winding-up order was made by the court, the liquidator has been appointed, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors is adequate, has already been made for the claim.

(d) On 29 August 2002, Pang Po King Cannie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a non-wholly-owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. The case was in progress and the date of trial is fixed in January 2008. Accordingly, no provision has been made in the financial statements.

(13) Related party transactions

The Group entered into the following transactions with related parties:

	Notes	Unaudited six months ended 30 June **2007** **HK$'000**	2006 HK$'000
Acquisition of subsidiaries	(i)	–	130,590
Rental expenses received	(ii)	–	2,518
		–	133,108

Notes:

(i) On 30 June 2006, the Group acquired 100% of the issued share capital of CASH Retail Management (HK) Limited ("CRM(HK)") and its subsidiaries at a cash consideration of HK$130.6 million.

(ii) The associate companies paid rental expenses to a wholly-owned subsidiary of the Company. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of the Company by the head landlord with reference to the floor area occupied by the associate companies.

(14) Post balance sheet events

On 19 July 2007, the Company announced a possible major transaction in relation to formation of a joint venture (to be owned as to approximately 50% by the Group) to develop and commercialize the TD-SCDMA technology in China. It is initially expected that the investment amount from the Group will not be less than RMB300 million (approximately HK$309 million) and not more than RMB500 million (approximately HK$514.9 million), which will depend on the valuation of the TD-SCDMA technology by independent valuers to be announced by the Company upon the issue of the valuation report. Details of the transaction were set out in the Company's announcement dated 19 July 2007.

On 24 July 2007, the Company, Cash Guardian Limited ("Cash Guardian") (the controlling shareholder of the Company) and CSL (a non-wholly-owned subsidiary of the Company) ("Placing Agent") entered into a top up agreement ("Top Up Agreement") and an agreement in respect of the grant of green-shoe ("Green-shoe") ("Agreement"). Pursuant to the Top Up Agreement, the Placing Agent agreed to place 130,300,000 existing shares in the Company held by Cash Guardian, on a best effort basis, to placees ("Placees") at a placing price of HK$2.02 per share ("Placing"), and Cash Guardian agreed to subscribe for the same number of 130,300,000 new shares in the Company at a top up price of HK$2.02 per share ("Top Up"). The Placing and the Top Up were completed on 30 July 2007 and 6 August 2007 respectively. Pursuant to the Agreement, the Company agreed to grant Green-shoe to the Placees and Cash Guardian conferring them the rights to subscribe up to HK$364,206,000 in aggregate in cash for shares at the exercise price of HK$2.02 per share (subject to adjustments). The Agreement was approved by independent shareholders at a special general meeting of the Company held on 3 September 2007 and was completed on 10 September 2007. Details of the transactions were set out in the Company's announcements dated 25 July 2007 and the circular dated 16 August 2007.

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2007 (2006: Nil).

Review and Outlook

Financial Review

For the six months ended 30 June 2007, the Group recorded revenue of HK$726.1 million as compared to HK$178.9 million for the same period last year. The increase in revenue was partly due to the significant growth in financial services income recorded by the Group's financial services division (CFSG) for the current period and partly due to having consolidated the revenue of the retailing division (CRM(HK)) in the current period under review subsequent to the completion of the acquisition of CRM(HK) by the Group in June 2006.

During the period, CFSG achieved a net operating profit of HK$76.2 million as compared to HK$33.3 million as recorded in the same period last year. Such significant increase was mainly attributable to an improved performance of the Group's broking business.

CFSG recorded revenue from continuing operations of HK$253.5 million for the period as compared to HK$173.2 million for the same period last year. The increase was attributable to the significant growth in securities brokerage income and interest income due to the continued speculation over appreciation of RMB, the continuous boom of IPOs for mega China-related enterprises, as well as the hot money which was seeking for investment opportunities from the coming QDII effect.

CRM(HK) still recorded a net loss for the six months ended 30 June 2007 even though Pricerite had already recorded a profit of HK$9.2 million for the period under review. Upon setting up its second sourcing centre and building up the strong partnership with its suppliers in the Yangtze River Delta, its gross profit margins for the household products had since been substantially improved. On the back of the success in profit-margins improvement, the management has pursued the same strategy for sourcing its furniture products, with the backup by its new design centre in its Shanghai head office in the hope of further improving the overall profit margins for Pricerite. The Group's other retail businesses, namely 3C Digital and LZ LifeZtore, still recorded operating losses during the period under review. Without having succeeded in turning around 3C Digital's unsatisfactory results, the worst performing stores had been closed down during the period in order to contain the operating loss. LZ LifeZtore had opened its first two new stores in Shanghai as of the end of the period, and another two new stores would be opened in the city in the second half of 2007. LZ LifeZtore, still in the early investment stages, had yet to make any profit contribution to the Group even though the first half of 2007 had seen a strong growth in the top line of the new stores.

For the six months ended 30 June 2007, the online game business division (Moli Group) recorded a loss of HK$7.5 million but it had seen its revenue grew thirteenfold to HK$78.0 million over the last corresponding period subsequent to the commercial launch of "CABAL", its first licensed 3-D massively multiplayer online role-playing game ("MMORPG") in PRC at the beginning of the year. Moli Group has completed its second in-house developed MMORPG and other causal games, which are on trial run and will be launched in the second half of the year. These in-house developed games, together with the other licensed games, will generate a scaleable income for the Group in the years to come.

The Group recorded a net profit attributable to shareholders of HK$26.7 million for the six months ended 30 June 2007 as compared HK$2.0 million for the last corresponding period after taking into account the profit contribution from CFSG and the net operating loss from CRM(HK) and Moli Group.

Liquidity and Financial Resources

The Group's total equity stood at HK$578.9 million on 30 June 2007 as compared to HK$567.3 million at the end of last year. The net increase in equity was attributed to the net profit reported for the period.

As at 30 June 2007, our cash and bank balances were HK$1,000.1 million as compared to HK$821.2 million on 31 December 2006. The increase in cash balances was mainly due to an increase in clients' deposits as CFSG's clients became more active in trading near the period end. Our liquidity ratio on 30 June 2007 remained healthy at 1.0 time, as compared with 1.1 times on 31 December 2006.

As at 30 June 2007, the Group had a total borrowings of HK$3,199.6 million as compared with the total borrowings of HK$437.5 million on 31 December 2006. The substantial increase in borrowings was mainly due to the draw-down of short term bank borrowings of HK$2,662.1 million to re-finance its clients for their subscriptions of IPOs shares near the period end in addition to the banking facilities granted to CFSG for financing its clients for their daily securities trading.

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$91.6 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 2007, the Group's building at its market value of approximately HK$54.6 million was pledged to secure a bank term loan and general banking facilities granted to us.

Excluding the effect on short term bank borrowings in relation to IPOs re-financing, which had been fully settled subsequent to the period-end date, the ratio for our interest bearing borrowings to total equity was 0.93 on 30 June 2007 as compared to 0.77 on 31 December 2006.

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 January 2007, the Company and CFSG jointly announced the proposed acquisition of Moli Group by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, from CFSG ("Acquisition") and the proposed grant of the option to Mr Lin Che Chu George (Director of the Company) to require the Group to transfer 10% of the issued share capital in Netfield Technology Limited for a cash consideration at 10% of the consideration with respect of the Acquisition. The final consideration of the Acquisition was fixed at HK$120 million. Details of the transactions were set out in the Company and CFSG's announcements dated 9 January 2007 and the Company's announcement dated 22 January 2007. The Acquisition was approved by the independent shareholders of the Company at a special general meeting held on 23 April 2007 and was completed on 1 June 2007.

In March 2007, the Group disposed of all the remaining 7.89% shareholding interest in CRMG at a total consideration of about HK$19.8 million. The sale of investments resulted in a gain of approximately HK$18.6 million for the Group for the period.

In June 2007, the Company announced a connected transaction in relation to the proposed issue of 100 million new shares in the Company to a controlling shareholder of the Company and an independent third party at a subscription price of HK$0.52 per share. The subscriptions was approved by the independent shareholders of the Company at a special general meeting held on 23 July 2007 and was completed on the same day.

Subsequent to the period ended in July 2007, the Company announced (i) the placing of 130,300,000 existing shares in the Company to Placees at the placing price of HK$2.02 per share, which was completed on 30 July 2007; (ii) the subscription of 130,300,000 new top up shares in the Company by Cash Guardian at the top up price of HK$2.02 per share, which was completed on 6 August 2007; and (iii) the proposed grant of Green-shoe to the Placees and Cash Guardian conferring them the rights to subscribe up to HK$364,206,000 in aggregate in cash for shares at the exercise price of HK$2.02 per share (subject to adjustments), which was completed on 10 September 2007. Details of the transactions were set out in note (14) under the heading of "Post balance sheet events" and the Company's announcement dated 25 July 2007 and the circular dated 16 August 2007.

Save as aforesaid and the transactions to be disclosed under the "Capital Commitments" below, the Group did not make any material acquisitions or disposals during the period.

Capital Commitments

In June 2007, the Company and CFSG jointly announced a discloseable transaction in relation to formation of a joint venture through Marvel Champ Investments Limited (a 65%-owned subsidiary of the Company) with two independent third parties in equal shares (each one-third) through the joint venture entity, China Able. The purpose of China Able, which is an associate of the Company, is to acquire, own and hold a property in Shanghai through its indirect wholly-owned subsidiary. The maximum commitment of the Group in terms of the initial transaction for the joint venture amounts to RMB150 million (approximately HK$153.2 million). Up to period-end date, the Group made accumulated capital contributions, including cost of investment and shareholder's loans, to the associate totally of HK$39.2 million. Details of the transaction were set out in the Company and CFSG's joint announcement dated 27 June 2007.

Subsequent to the period-end in July 2007, the Company announced a possible major transaction in relation to formation of a joint venture (to be owned as to approximately 50% by the Group) to develop and commercialize the TD-SCDMA technology in China. It is initially expected that the investment amount from the Group will not be less than RMB300 million (approximately HK$309 million) and not more than RMB500 million (approximately HK$514.9 million), which will depend on the valuation of the TD-SCDMA technology by independent valuers to be announced by the Company upon the issue of the valuation report. Details of the transaction were set out in the Company's announcement dated 19 July 2007.

Save as aforesaid, the Group did not have any material capital commitment at the end of the period.

Material Investments

As at 30 June 2007, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$44.6 million and a profit on such investments of HK$43.4 million was recorded in the period.

Save as aforesaid, the Group did not hold any significant investment during the period nor did we have any future plans for material investments or capital assets.

Industry Review

In the first half of 2007, both investor and consumer confidence rose on the back of brisk economic expansion in Hong Kong. GDP grew by 6.9% in real terms in the second quarter, up from 5.7% in the first quarter. Most aspects of the economy strengthened, with domestic demand the major driver. Strong local demand in the second quarter was supported by a robust labour market while the seasonally adjusted unemployment rate moved down to 4.2%, the lowest since mid-1998. During the period, the positive wealth effect continued to prevail, with Hong Kong stock market turnover averaging HK$65 billion, a 91% increase compared to the same period last year.

However, concerns remained on the global front. The weak US economy arising from a prolonged correction in the housing market, turmoil from sub-prime mortgages, tightening of credit conditions in most financial markets, RMB appreciation, and macroeconomic adjustment measures in Mainland China continued to pose a threat to local and global economic growth.

Business Review and Outlook

In line with the CASH Group's motto, "Seize the Day, Seek a Fuller Life", we have continued to develop our people-centred culture, focusing in particular on enhancing value for shareholders and employees.

The first half of 2007 saw further solid growth for the Group. Our four lines of businesses in investment and wealth management (financial services), home improvement and lifestyle (retail management), and digital entertainment are well demarcated, with a shared mission to fulfil customers' individual needs underpinning the Group's corporate culture.

Financial Services – CFSG

CFSG achieved excellent results for the first half of 2007. Net profit attributable to shareholders increased five-fold to HK$101.6 million for the period ended 30 June 2007.

Brokerage turnover experienced significant growth and recorded successive new highs in the second quarter. This was attributable mainly to the inflow of funds ahead of the commencement of QDII investments in the third quarter of 2007, and the income generated from IPO activities. Our market share had also improved as a result of the efforts to optimise our trading platforms and broaden our delivery channels.

Our wealth management division regained ground and experienced a steady growth after re-engineering its pricing strategy earlier this year. The division will continue to improve its product offerings, service level, and strengthen cross-selling synergy with the house-served brokerage clients. The asset management division outperformed the Hang Seng Index in a number of its portfolios and recorded attractive gains for its clients. It will continue to focus on the expansion of client base and assets under management while maintaining its out-performance. As corporate activities such as assets injections and M&As continued to increase locally and internationally, the investment banking division was active in financial advisory for M&As and the special transaction markets during the second quarter. It continued to lay ground for the growing IPO pipeline from medium-sized companies in the PRC.

Looking ahead, CFSG will continue to diversify its revenue mix through strengthening existing businesses and enriching product types. Our goal is to position CFSG as clients' financial services house of choice for the Greater China region.

Retail Management – CRM(HK)

The Group's retail management business comprises Pricerite, LZ LifeZtore and 3C Digital stores, which aim to fulfil customers' home improvement, personal enjoyment and lifestyle needs.

During the period under review, Pricerite showed continuous improvement in both margin and operating efficiencies. The company's new sourcing centre in the Yangtze River Delta worked in tandem with the existing Pearl River Delta centre. It further enhanced Pricerite's product offerings in terms of range, quality and costs, which in turn improved overall product margins. The company's expanded sourcing reach also advanced Pricerite's vendor portfolio and broadened its private-label product range.

Pricerite received further public recognition for its high-quality service provision. Awards bestowed during the period included a Hong Kong and Macau Merchants of Integrity Award from the Guangzhou Daily and the Best Brand Enterprise Award from the Hong Kong Productivity Council. Pricerite's frontline staff were also recognised for their outstanding work, gaining Distinguished Salesperson Awards (DSA) from the Hong Kong Management Association, Customer Relationship Excellence Awards from the Asia Pacific Customer Service Consortium, and the Award of Merit for the Retail and Service Energetic Star Awards 2007 from the Job Finder of the Easy Finder. Pricerite will continue to develop and maintain its people-oriented service culture so as to fulfil customers' home improvement needs.

The solid growth of LZ LifeZtore encouraged us to open our second store in Shanghai during the period under review. The store is located in a high traffic area of the city, with a third store due to open in another densely populated up-market district of Shanghai in the latter half of 2007. In Hong Kong, we reconfigured our store locations to further strengthen our distribution network. Our Mainland design centre supporting our product development continued to work in line with our "FUNctional" approach and inspirational "ORIwest" design ideas. It will continue to be a major driver in steering original product designs and developing exclusive products for our overseas markets. Meanwhile, our commitment to service excellence brought our staff members Distinguished Service Awards for the second consecutive year. We will seek to advance our quality service provision by further investing in staff training and development and strengthening our service culture.

3C Digital continued to establish its brand image in the trendy digital product sector with its younger generation target customers. During the period under review, it deepened its product range to include electronic games. Three frontline sales professionals received Distinguished Service Awards, further testifying to its well-recognised high level of customer service.

Digital Entertainment – Moli Group

Since 2006, Moli Group has been evolving from an online game developer into a fully-fledged provider of online entertainment content, with strong research and development (R&D) capabilities and an proprietary international distribution network.

During the period under review, Moli Group officially launched its exclusive distribution of CABAL Online in Mainland China and Taiwan, receiving an enthusiastic reception from the market. To maintain the leading position of its popular online games, Moli Group carried out constant content upgrades for well-received games such as King of Pirate (KOP) and Dragon Tiger Gate. New games were also launched, including Gunbund, Zero of the World. These moves met with an overwhelming response, providing further support for the launch of new games in the market.

In addition to enriching its range of games, Moli Group continued to distribute its popular games in overseas markets. KOP was launched in North America and Russia, generating great excitement. Other games such as Tears of the Space Time Online are due to be launched in the second half of 2007.

Looking ahead, Moli Group will develop its business with two proven strategies. First, we will seek to acquire mature game developers to boost our R&D capabilities and enable us to continue to outperform the market. Second, we will continue to develop new technology for the digital community to enhance users' total gaming experience. We are confident that Moli will soon develop into the most influential provider of digital entertainment in Mainland China.

Strategic Investments

In July 2007, the Group entered into a strategic joint venture agreement with Chongqing Chongyou Information Technology (Group) Company Limited (CYIT) to develop the core chipset market for third generation (3G) mobile handsets using TD-SCDMA technology in Mainland China. TD-SCDMA is a homegrown technology for 3G handsets in Mainland China. It is one of three 3G industry standards (along with the European WCDMA standard and American CDMA 2000 standard) approved by the Central Government for use in the Mainland. CYIT is one of the two pioneers developing TD-SCDMA technology and the only developer so far to pass all the relevant technology tests in the Mainland.

Under the 50-50 joint venture agreement, CYIT will inject TD-SCDMA technology, intellectual property and business into the joint venture while CASH will bring in capital investment to co-develop the 3G chipset market in Mainland China.

CYIT was founded by the Chongqing University of Posts and Telecommunications, one of the five key research institutes identified by the Ministry of Post and Telecommunications (predecessor of the Ministry of Information Industry) and the only institute with a focus and research capability in TD-SCDMA research and development.

As Mainland China is due to launch its 3G mobile service before the Beijing Olympic Games in August 2008, it is expected that there will be huge demand for 3G handsets, creating a tremendous business opportunity for chipset developers such as CYIT.

Group Mission and Future Development

The board of directors believes that with the solid growth and development of our businesses, the CASH Group will further consolidate its leading position as a multi-faceted service conglomerate in Greater China. As financial services, retail management, digital media and 3G mobile services are prominent business sectors in the Mainland, the Group is confident to leverage its solid foundation in Hong Kong to expand into the Mainland. The Group, through its subsidiary, formed a joint venture with other partners to acquire an office building in Shanghai, of which several floors of the building will be used as our Greater China headquarters in Mainland China.

As the Mainland's 11th Five-Year Plan sets clear targets for reforming the financial sector, it is expected that the Mainland's financial services industry will soon be opened up, especially to Hong Kong companies operating under the Closer Economic Partnership Arrangement (CEPA). In this regard, we are fully prepared to leverage our wealth of international experience, wide range of financial products, and solid foundation in Hong Kong to serve the Mainland financial services market. With our solid network for corporate finance and wealth management businesses in the Mainland, we are optimistic in establishing a strong foothold in the near future. Our next target is to establish a strong presence in the Mainland brokerage business through our advanced, client-focused, and borderless internet trading platforms. More financial and human resources, in addition to our new office building, will also be put into developing our Mainland business.

Employee Information

At 30 June 2007, the Group had 1,565 employees, of which 253 were at CFSG and its subsidiaries. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund schemes, 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$107.0 million. We continue to organise both on the job and off the job trainings to employees in areas such as product knowledge, customer service, interview techniques, selling techniques, communication, presentation, coaching, team building, influencing, counselling, mentoring, system applications, project management, buyers development programme and continuous professional training programmes required by regulatory bodies.

Directors' Interests in Securities

As at 30 June 2007, 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

(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	–	246,042,564*	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	–	1.16
		7,644,300	246,042,564	38.65

* The shares were 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) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2007	granted during the period (Notes (2) & (3))	outstanding as at 30 June 2007	Percentage to issued shares as at 30 June 2007 (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006–12/11/2008	0.323	(1)	4,000,000	–	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490	(1)	–	2,500,000	2,500,000	0.38
Lin Che Chu George	13/11/2006	13/11/2006–12/11/2008	0.323		4,000,000	–	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490		–	2,500,000	2,500,000	0.38
Law Ping Wah Bernard	13/11/2006	13/11/2006–12/11/2008	0.323		4,000,000	–	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490		–	2,500,000	2,500,000	0.38
Wong Kin Yick Kenneth	13/11/2006	13/11/2006–12/11/2008	0.323		4,000,000	–	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490		–	2,500,000	2,500,000	0.38
					16,000,000	10,000,000	26,000,000	3.96

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 6 June 2007 was HK$0.480.

(3) The fair value of the options granted by the Company to the Directors during the period totalled approximately HK$205,000. The assumptions in arriving the fair value of the options are disclosed in the "Share Option Schemes" below.

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

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

B. Associated corporations (within the meaning of SFO)

CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	711,700,839*	51.46
Lin Che Chu George	Beneficial owner	280,000	–	0.02
Law Ping Wah Bernard	Beneficial owner	17,264,000	–	1.25
Wong Kin Yick Kenneth	Beneficial owner	10,860,000	–	0.79
		28,404,000	711,700,839	53.52

* The shares were held as to 671,308,839 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, and as to 40,392,000 shares 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.

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

Name	Date of grant	Exercise period	Exercise price per share (HK$)	Note	Number of options: outstanding as at 1 January 2007	exercised during the period (Note (2))	outstanding as at 30 June 2007	Percentage to issued shares as at 30 June 2007 (%)
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006–31/7/2008	0.296	(1)	6,000,000	–	6,000,000	0.43
Lin Che Chu George	7/7/2006	7/7/2006–31/7/2008	0.296		13,800,000	–	13,800,000	0.99
Law Ping Wah Bernard	7/7/2006	7/7/2006–31/7/2008	0.296		6,000,000	–	6,000,000	0.43
Wong Kin Yick Kenneth	7/7/2006	7/7/2006–31/7/2008	0.296		6,000,000	(1,000,000)	5,000,000	0.36
					31,800,000	(1,000,000)	30,800,000	2.21

Notes:

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

(2) On 23 April 2007, 1,000,000 share options of CFSG were exercised at an exercise price of HK$0.296 each by Mr Wong Kin Yick Kenneth. The weighted average closing date of CFSG's shares immediately before the date of exercise was HK$0.355 per share.

(3) The options are held by the Directors in the capacity of beneficial owner.

(4) No option was granted, lapsed or cancelled during the period.

Save as disclosed above, as at 30 June 2007, 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

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 2007 were as follows:

				Number of options		
Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2007	granted during the period (Notes (2) & (4))	outstanding as at 30 June 2007
Directors						
13/11/2006	13/11/2006–12/11/2008	0.323	(1)	16,000,000	–	16,000,000
6/6/2007	6/6/2007–31/5/2009	0.490	(1)	–	10,000,000	10,000,000
				16,000,000	10,000,000	26,000,000
Employees						
13/11/2006	13/11/2006–12/11/2008	0.323		16,000,000	–	16,000,000
30/5/2007	30/5/2007–31/5/2009	0.480		–	11,700,000	11,700,000
6/6/2007	6/6/2007–31/5/2009	0.490		–	32,300,000	32,300,000
				16,000,000	44,000,000	60,000,000
				32,000,000	54,000,000	86,000,000

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 30 May 2007 and 6 June 2007 was HK$0.500 and HK$0.480 respectively.

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

(4) During the six months ended 30 June 2007, share options were granted on 30 May 2007 and 6 June 2007 respectively and are fully vested on the same dates. The estimated fair values of the share options granted on these dates are HK$1,129,230.

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

	Share options grant date	
	30 May 2007	6 June 2007
Weighted average share price	HK$0.351	HK$0.358
Exercise price	HK$0.480	HK$0.490
Expected volatility	77%	77%
Expected life	2 years	2 years
Risk-free rate	4.59%	4.59%
Expected dividend yield	Nil	Nil

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 256 trading days.

The Group recognised the total expenses of HK$1,129,230 (2006: HK$422,000) for the six months ended 30 June 2007 in relation to share options granted by the Company.

The subsidiary

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 2007 were as follows:

CFSG

				Number of options		
Date of grant	Exercise period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2007	exercised during the period (Note (3))	outstanding as at 30 June 2007
Directors						
7/7/2006	7/7/2006–31/7/2008	0.296	(1)	31,800,000	(1,000,000)	30,800,000
Employees						
7/7/2006	7/7/2006–31/7/2008	0.296		68,500,000	–	68,500,000
7/7/2006	7/7/2006–31/7/2010	0.296	(2)	6,000,000	–	6,000,000
				74,500,000	–	74,500,000
				106,300,000	(1,000,000)	105,300,000

Notes:

(1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".

(2) The 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) On 23 April 2007, 1,000,000 share options of CFSG were exercised at the exercise price of HK$0.296 per share. The weighted average closing price of CFSG's shares immediately before the date of exercise was HK$0.355 per share.

(4) No option was granted, lapsed or cancelled during the period.

Substantial Shareholders

As at 30 June 2007, 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 ("Jeffnet") (Note (1))	Trustee of a discretionary trust	246,042,564	37.49
Cash Guardian (Note (1))	Interest in a controlled corporation	246,042,564	37.49
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	103,000,000	15.70
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	103,000,000	15.70

Notes:

(1) This refers to the same number of shares held by Cash Guardian (which is 100% beneficially owned by Jeffnet). Jeffnet 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 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.

(2) This refers to the same number of shares were held by ARTAR, which was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the shares held by ARTAR.

Save as disclosed above, as at 30 June 2007, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

Corporate Governance

During the accounting period from 1 January 2007 to 30 June 2007 ("CG Period"), 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	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all Executive Directors ("ED(s)"). During the CG Period, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2007.

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 2007 have not been reviewed by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2007, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 18 September 2007

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth, and the independent non-executive Directors are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.