

CASH 

時機  
把握  
富足  
一生



Celestial Asia Securities Holdings Limited  
(Stock Code: 1049)

Interim Results 2008

Having built a firm foothold in Hong Kong, the Group is committed to further developing into a leading service conglomerate in China with a global perspective. As we celebrate the 10th anniversary of CASH in 2008, we will take bold steps in the next decade to *"open the door to China"* and further develop the market by devoting more resources in it. We believe that the Mainland market will be our growth engine in the future.

# 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 2008 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000 (Restated)
Revenue	(3)	711,931	726,093
Other income		7,503	4,141
Cost of sales for retailing business		(245,979)	(230,522)
Cost of services for online game business		(26,891)	-
Salaries, allowances and commission		(132,271)	(106,603)
Other operating, administrative and selling expenses		(315,864)	(297,183)
Depreciation of property and equipment		(22,608)	(18,581)
Finance costs		(11,383)	(42,660)
Net (decrease) increase in fair value on investments held for trading		(57,883)	43,398
Gain on dilution of shareholding in subsidiaries	(5)	42,256	-
Share of loss of associate		(1,876)	-
(Loss) Profit before taxation		(53,065)	78,083
Taxation charge	(6)	(4,892)	(10,437)
(Loss) Profit for the period		(57,957)	67,646
Attributable to shareholders:			
Equity holders of the Company		(80,281)	26,694
Minority interests		22,324	40,952
		(57,957)	67,646
Dividend:			
Dividends recognised as distribution during the period			
- payment of 2007 final dividend of HK\$0.04 per share		36,101	-
(Loss) Earnings per share	(7)		
- Basic		HK\$(0.4)	HK\$0.2
- Diluted		HK\$(0.4)	HK\$0.2

# Consolidated Balance Sheet

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property and equipment		199,307	109,252
Prepaid lease payments		15,756	15,963
Investment property		-	5,000
Goodwill		238,460	233,115
Interests in associates		65,938	65,778
Loan to an associate		10,296	10,296
Intangible assets		65,634	68,255
Other assets		9,346	9,136
Deposits paid for purchase of property and equipment		-	16,136
Loan receivables		68	692
		<b>604,805</b>	<b>533,623</b>
<b>Current assets</b>			
Inventories		41,506	42,028
Account receivables	(8)	611,856	938,998
Loan receivables		51,731	28,915
Prepayments, deposits and other receivables		132,401	91,126
Amounts due from associates		260	260
Investments held for trading		149,136	60,254
Deposits with brokers		81,569	131,751
Bank deposits under conditions		98,103	90,183
Bank balances - trust and segregated accounts		801,315	928,527
Bank balances (general accounts) and cash		439,449	329,501
		<b>2,407,326</b>	<b>2,641,543</b>
<b>Current liabilities</b>			
Account payables	(9)	1,235,904	1,511,664
Deferred revenue		653	4,059
Accrued liabilities and other payables		140,150	121,520
Taxation payable		26,142	23,149
Obligations under finance leases - amount due within one year		-	487
Borrowings - amount due within one year		530,119	324,792
Derivative financial instruments		18,698	12,683
Loan from a minority shareholder		27,437	27,437
		<b>1,979,103</b>	<b>2,025,791</b>
<b>Net current assets</b>		<b>428,223</b>	<b>615,752</b>
<b>Total assets less current liabilities</b>		<b>1,033,028</b>	<b>1,149,375</b>

		30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
	Note		
<b>Capital and reserves</b>			
Share capital	(11)	18,051	90,253
Reserves		515,603	557,748
Equity attributable to equity holders of the Company		533,654	648,001
Share option reserve of a listed subsidiary		88	88
Minority interests		462,090	492,118
<b>Total equity</b>		<b>995,832</b>	<b>1,140,207</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		7,879	7,879
Obligations under finance leases – amount due after one year		–	40
Borrowings – amount due after one year		29,317	1,249
		37,196	9,168
		<b>1,033,028</b>	<b>1,149,375</b>

# Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Net cash from (used in) operating activities	116,097	(2,818,645)
Net cash used in investing activities	(160,688)	(10,354)
Net cash from financing activities	154,539	2,790,096
Net increase (decrease) in cash and cash equivalents	109,948	(38,903)
Cash and cash equivalents at beginning of period	329,501	168,569
Cash and cash equivalents at end of period	439,449	129,666
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	439,449	129,666

# Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2008

Notes	Attributable to equity holders of the Company										Share option reserve of a listed subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	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	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	(a)	-	-	-	-	-	-	-	-	-	-	(12,356)	(12,356)
Issue of new shares by subsidiary	(b)	-	-	-	-	-	-	-	-	-	-	(76)	(76)
Share repurchases by subsidiary	(c)	-	-	-	-	-	-	-	-	-	-	(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
Reduction of shares due to share consolidation and capital reduction	(d)	(72,202)	-	72,202	-	-	-	-	-	-	-	-	-
Net loss for the period		-	-	-	-	-	-	-	(80,281)	(80,281)	-	22,248	(58,033)
At 30 June 2008		18,051	417,255	88,926	1,160	12,314	1,847	15,564	(22,537)	533,654	88	462,090	995,832

## Unaudited six months ended 30 June 2007

Note	Attributable to equity holders of the Company										Share option reserve of a listed subsidiary HK\$'000	Minority interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	General reserve HK\$'000	Other reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Investment revaluation reserve HK\$'000	Accumulated profits HK\$'000	Total 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 (e)	-	-	-	-	-	-	-	-	-	-	-	(12,757)	(12,757)
Disposal of available-for-sale investments	-	-	-	-	-	-	-	(29,659)	-	(29,659)	-	-	(29,659)
2006 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

## Notes:

- (a) 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.
- (b) 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.
- (c) 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%.
- (d) Please refer to note (11) of share capital for details.
- (e) In June 2007, CIGL purchased additional shares in CFSG. The Group's interest in CFSG was increased from 46.22% on 31 December 2006 to 48.55% on 30 June 2007.

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.

The unaudited consolidated results for the six months ended 30 June 2008 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

**(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 2007.

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs and HKASs upon initial application. However, the directors of the Company anticipate that the application of these new standards and interpretations will have no material impact on the financial position and financial results of the Group.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 32	Financial instruments: "Presentation" <sup>1</sup>
HKFRS 2	Amendment "Share-based payment - Vesting conditions and cancellations" <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2008.

**(3) Revenue**

	Unaudited six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Fees and commission income	198,891	253,479
Online game subscription income	71,344	75,768
Licensing income	4,545	2,243
Sales of furniture and household goods and trendy digital products, net of discounts and returns	437,151	394,603
	<b>711,931</b>	<b>726,093</b>

#### (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, 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

Segment information about these businesses is presented as follows:

##### 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 decrease in fair value on investments held for trading				(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)

## Income statement for the six months ended 30 June 2007

	Financial services HK\$'000	Online game services HK\$'000	Retailing 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 increase in fair value 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

## 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 the PRC and Taiwan and the revenue of these activities are derived mainly from the PRC and Taiwan.

	Unaudited six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Hong Kong	631,649	647,403
PRC	59,075	48,550
Taiwan	21,207	30,140
	711,931	726,093

### (5) Gain on dilution of shareholding in subsidiaries

Pursuant to the announcement made by the Company on 10 December 2007, Netfield Technology Limited ("Netfield"), a subsidiary of the Company, signed an agreement with an independent third party to issue 3.4% of the issued share capital of Netfield at a consideration of US\$6 million (approximately HK\$46,800,000). The transaction was completed in January 2008.

(6) Taxation charge

	Unaudited six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Profits tax:		
– PRC	–	137
– Hong Kong	4,892	10,300
	4,892	10,437

Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profits for respective periods.

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

(7) (Loss) Earnings per share

The calculation of basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2008 together with the comparative figures for the prior period are based on the following data:

	Unaudited six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
(Loss) Profit for the purpose of basic and diluted (loss) earnings per share		
(Loss) Profit for the period attributable to equity holders of the Company	(80,281)	26,694

	Unaudited six months ended 30 June	
	2008	2007
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	181,905,148	131,245,148
Effect of dilutive potential ordinary shares assumed exercise of share options	3,690,330	2,303,342
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	185,595,478	133,548,490

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

(8) Account receivables

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	47,809	216,343
Cash clients	142,562	166,310
Margin clients	294,612	449,162
Account receivables arising from the business of dealing in futures and options:		
Clients	–	68
Clearing houses, brokers and dealers	110,234	93,032
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,556	5,238
Account receivables arising from the business of provision of corporate finance services	1,492	1,442
Account receivables arising from the business of provision of online game services	10,180	6,995
Trade debtors arising from retailing business	1,411	408
	<b>611,856</b>	<b>938,998</b>

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 and trade debtors arising from retailing business, the Group allows a credit period of 30 to 90 days. The aged analysis is as follows:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0-30 days	7,341	9,967
31-60 days	1,213	1,192
61-90 days	5,507	1,730
Over 90 days	2,578	1,194
	<b>16,639</b>	<b>14,083</b>

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 2008 HK\$'000	Balance at 30 June 2008 HK\$'000	Maximum amount outstanding during the period HK\$'000	Market value of pledged securities at fair value at 30 June 2008 HK\$'000
<b>Directors of the Company</b>				
Mr Law Ping Wah Bernard and associates	-	-	15,401	-
Mr Wong Kin Yick Kenneth and associates	1,678	1,094	16,031	1,806
<b>Substantial shareholder of the Company</b>				
Mr Kwan Pak Hoo Bankee and associates	-	217	1,793	7,901

Note: Associates are defined in accordance with the Listing Rules.

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

## (9) Account payables

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	585,134	963,379
Margin clients	141,856	255,425
Clearing houses, brokers and dealers	97,709	-
Account payables to clients arising from the business of dealing in futures and options	201,220	151,097
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	9,196	9,620
Account payables arising from the business of the online game services	41,890	6,368
Trade creditors arising from retailing business	158,899	125,775
	<b>1,235,904</b>	<b>1,511,664</b>

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 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 online game services and retailing business at the balance sheet date:

	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0-30 days	74,804	60,842
31-60 days	60,494	32,772
61-90 days	43,335	22,897
Over 90 days	22,156	15,632
	<b>200,789</b>	<b>132,143</b>

#### (10) 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 through its listed investments held for trading and available-for-sale investments. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments.

###### *Equity price sensitivity*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date. A 10 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 2008, if the market bid prices of the listed investments had been 10 percent higher/lower, the Group's results for the period would increase/decrease by HK\$14.9 million (2007: HK\$6 million). This is mainly attributable to the changes in fair values of the listed investments held for trading and available-for-sale investment.

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. During the period, the portfolio of the equity investments fluctuated.

#### *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan receivables. The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables, loans to margin clients and bank balances.

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 arise. A 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 Prime Rate and HIBOR arising from the Group's variable interest rate instruments.

For the period ended 30 June 2008, if the interest rate of variable rate bank borrowings, loan receivables, loans to margin clients and bank balances had been 100 basis point higher/lower and all other variables were held constant, the Group's results for the period would increase/decrease by HK\$8,468,000 (2007: HK\$5,028,000).

#### *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, sales and purchases. 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\$"). 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, 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.

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 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 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.

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.

In the management of liquidity risk, the Group monitors and maintains adequate cash and cash equivalents by continuously monitor forecast and actual cash flows and matching the maturity profiles of certain financial assets classified as loans and receivables mainly relating to the financial services business.

(11) Share capital

	Notes	Number of shares '000	Amount HK\$'000
Authorised:			
Ordinary shares of HK\$0.10 each at 1 January 2008 and 30 June 2008		3,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK\$0.10 each at 1 January 2008		902,526	90,253
Reduced due to Share Consolidation	(a)	(722,021)	-
Ordinary shares of HK\$0.50 each		180,505	90,253
Reduced due to Capital Reduction	(a)	-	(72,202)
Ordinary shares of HK\$0.10 each at 30 June 2008		180,505	18,051

Note:

- (a) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, the Company:
- (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 Shares") ("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 Shares in issue ("Capital Reduction"); and
  - (iii) transferred the credit amount arising from the Capital Reduction of approximately HK\$72,202,000 to the contributed surplus account.

## (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 (equivalent to approximately HK\$7,020,000) arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US\$15,000,000 (equivalent to approximately HK\$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US\$5,000,000 (equivalent to approximately HK\$39,000,000) in respect of each of Marr's causes 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. No provision has been made in the consolidated financial statements as in the opinion of the directors, the potential liability arisen from the case is remote.
- (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 (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 CGL on the same date and CGL is now in the process of liquidation.
- (c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited ("CISI"), a subsidiary of the Company, for an amount of HK\$1,662,598. A winding-up order was made by the court, the liquidator has been appointed to wind-up CISI, and the winding-up procedure is still in progress. Provision, which in the opinion of the directors of the Company is adequate, has already been made for the claim.

### (13) Related party transactions

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

	Notes	Unaudited six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Commission and interest income received from the following substantial shareholder of the Company	(a)		
Mr Kwan Pak Hoo Bankee and associates		58	189
Commission and interest income received from the following directors of the Company	(b)		
Mr Lin Che Chu George and associates		7	118
Mr Law Ping Wah Bernard and associates		26	204
Mr Wong Kin Yick Kenneth and associates		77	225
		110	547

Notes:

- (a) During the six months ended 30 June 2008, the Group received commission and interest income from margin financing of approximately HK\$58,000 (2007: HK\$189,000) from substantial shareholder of the Company.
- (b) During the six months ended 30 June 2008, the Group received commission and interest from margin financing of approximately HK\$110,000 (2007: HK\$547,000) from certain directors of the Company.

# Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2008 (2007: Nil).

## Review and Prospects

### Financial Review

#### Financial Performance

For the six months ended 30 June 2008, the Group recorded revenue of HK\$711.9 million as compared to HK\$726.1 million for the same period last year. The 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. CFSG's operating profit decreased to HK\$42.4 million for the six-month period from HK\$76.2 million for the last corresponding period. Overall, the Group recorded a net loss attributable to shareholders of HK\$80.3 million after taking into account the operating profit of CFSG, the operating losses of its online game business (Moli Group, the holding company being Netfield) and retail management business (CRMG) and the realised and unrealised losses on investments.

#### *Financial Services – CASH Financial Services Group (\*CFSG\*)*

For the six months ended 30 June 2008, CFSG achieved a net operating profit of HK\$42.4 million as compared to HK\$76.2 million as recorded in the same period last year. Such a decrease was mainly attributable to a drop in the recorded revenue for the first half of the year and its failure to recognise the similar gain on disposal of the discontinued operation that was posted in the first half of 2007.

CFSG recorded revenue from its financial services of HK\$198.9 million for the period as compared to HK\$253.5 million for the same period last year. The decrease was attributable to the reduction in both the commission income generated from the Group's brokerage business and interest income from its financing activities, which had in turn resulted from the weak investors' sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since late last year, followed by the downturn in both the local and global economies in the current year.

### *Retail Management – CASH Retail Management Group (“CRMG”)*

CRMG recorded a net operating loss for the six months ended 30 June 2008 even though Pricerite recorded an operating profit of HK\$12.9 million for the period under review. Thanks to the solid labour market conditions, the overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown. During the first half of the year, Pricerite recorded a mild growth in revenue to HK\$363.6 million for the current period (2007: HK\$309.8 million) while still being able to maintain decent gross profit margins for the household products amid the rising merchandising costs brought about by the galloping inflation at home and abroad. The mild growth in the operating profit had reflected Pricerite’s consistent improvement in its services and products quality and operational effectiveness, including the continued overhaul brand rejuvenation for its retail network since late last year. LZ LifeZtore, the Group’s chain stores for retailing lifestyle household products in China, still recorded an operating loss during the period under review. While still in the process of refining the business model, LZ LifeZtore continued to revamp its merchandise mix and to enhance the brand value of its chain stores in Shanghai. In pursuit of the long-term expansion strategy of its retail business in the PRC market, the Group had planned to open a new store in the city in the second half of the year.

### *Online Game Business – Moli Group*

For the six months ended 30 June 2008, Moli Group recorded a net operating loss of HK\$42.1 million. The net loss was mainly attributable to the decrease in revenue during the period under review. The heavy snowstorms in the beginning of this year and the earthquake in Sichuan province in May had caused a sudden decrease in the number of new registered and active players. Moli Group’s gaming operation was suspended as the game servers were closed down during the national mourning period for the victims in Sichuan earthquake. Moli Group had decided to postpone the commercial operation of “Radiant Arcana”, which is the major game this year, because of the aforesaid suspension of gaming operations. As such, the scheduled investments in commercial advertising could not achieve the expected performance. Also, Moli Group has suffered the setbacks from the negative impact of illegal private servers, which is a heavy problem in the online gaming industry. The revenue from operations in Moli Group’s gaming servers was severely hit. Having suffered the setbacks in the first half of the year, 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 private servers to secure the stability of Moli Group’s normal operations. We believe that Moli Group will substantially generate scaleable income contributions to the Group for the years to come.

### **Liquidity and Financial Resources**

The Group’s total equity amounted to HK\$995.8 million on 30 June 2008 as compared to HK\$1,140.2 million at the end of last year. The net decrease in equity was attributed to the net loss reported for the period and the distribution of 2007 final dividend made during the period under review.

On 30 June 2008, our cash and bank balances were HK\$1,338.9 million as compared to HK\$1,348.2 million at the end of the previous year. Our liquidity ratio on 30 June 2008 remained healthy at 1.2 times, as compared with 1.3 times on 31 December 2007.

Our total borrowings on 30 June 2008 were HK\$559.4 million as compared with the total borrowings of HK\$326.0 million on 31 December 2007. The substantial increase in borrowings was due to the increase in both the bank balances of the house accounts and the amount of the investments held at the end of the period. As a result of the increase in the borrowings, the ratio for our interest bearing borrowings to total equity increased to 0.56 on 30 June 2008 from 0.29 on 31 December 2007.

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\$98.1 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 2008, 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 January 2008, the discloseable transaction of the Company for deemed disposal relating to issue of 60,000 new shares in Netfield, at a consideration of US\$6 million (approximately HK\$46,800,000) was completed.

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 2008, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK\$149.1 million and a loss on such investments of HK\$57.9 million was recorded for the period.

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

## Industry Review

To date, 2008 has been an eventful year filled with joy and tears. The period under review was marked by keen anticipation of the Beijing Olympics in August 2008. At the same time, financial market turbulence, rising inflation, and devastating natural disasters in Mainland China created drags on the Hong Kong economy.

The slowdown saw the Hong Kong economy increase at a reduced pace in the first half of 2008, with GDP growing at 5.8% in real terms. On a seasonally adjusted quarter-to-quarter basis, private consumption expenditure fell by 1.6% in the second quarter. Consumer sentiment was dampened by global inflationary pressure, world stock market corrections, property market consolidation and uncertain global economic prospects. Investment sentiment was also subdued given the uncertainty over market direction. Mid-year figures for the Hang Seng Index saw a decrease of 21% to HK\$16.3 trillion.

In Mainland China, nationwide snowstorms in the early part of the year and the Sichuan earthquake in May complicated the central government's tightening of monetary policy and dampened the already lacklustre stock market. The disasters also caused severe disruption in several provinces during the period under review, adversely affecting domestic consumption.

## Business Review

The Group's diversified business base, covering financial services, retailing, lifestyle and online gaming, continues to provide a solid foundation for stable future growth, with the China market our major growth engine.

### Financial Services – CFSG

Despite the market downturn and consequent reduction in CFSG's commission and margin income, our diversified revenue stream provided a stable platform for long-term performance and future growth.

During the period under review, CFSG's wealth management and asset management businesses both enjoyed healthy growth. Poor market sentiment also drove mainland corporations to seek alternatives to bank borrowing. A number of these companies engaged our investment banking division to assist in overseas fund-raising exercises.

CFSG's key development strategy for 2008 focuses on the China market, including a wide range of product offerings and professional advisory services. During the review period, CFSG completed its China expansion plan as targeted. Our Shanghai representative office was upgraded to our Mainland China headquarters and moved into a newly acquired office building. We upgraded our Shenzhen operation centre into a branch office and opened Beijing and Chongqing branch offices as planned.

In line with our position as a leading technology-focused financial services house, during the period under review, CFSG introduced the world's first 3D AI Broker, a real-time humanoid system that substantially enhances online communications.

CFSG successfully moved its listing to the main board of the Stock Exchange in March 2008. A strong balance sheet, professional management, stringent financial control, comprehensive product offerings, and a people-oriented culture are some of the key strengths that helped to achieve this.

## **Retail Management – CRMG**

### *Pricerite*

During the review period, Pricerite continued to improve operating efficiency. We launched an ongoing programme to rejuvenate all aspects of the brand, including product offerings, customer service, logistics, in-store design and visual merchandising. We enhanced our membership programme to better track customers' preferences and provide a more targeted product mix. We also plan to re-launch our online shopping portal and provide tailored furniture for customers.

As people have always been the Group's most important asset, we have put tremendous effort into employee development. During the review period, Pricerite formally established the Pricerite Professional Training Institute (PPTI) to offer systematic, continuous professional training to staff members. Pricerite aims to reform the home improvement industry into a recognised profession with formal accreditation to assist practitioners' career development. Relentless efforts to advance customer service have resulted in numerous awards for both the company and staff members. These include the Distinguished Salesperson Award (Hong Kong Management Association), Customer Relationship Excellence Award (Asia Pacific Customer Service Consortium), Hong Kong and Macau Merchants of Integrity Award (Guangzhou Daily and Ming Pao Daily News), and Consumers' Favourite Hong Kong Brands (China Enterprise Reputation & Credibility Association).

In addition, Pricerite further extended our Caring culture in the community. Following the well-received community project "Building Power", which gained a 2006-07 Outstanding Partnership Project Award from the Hong Kong Council of Service, in 2008 the company launched another significant programme, Play@home, together with Hong Kong Christian Service. Play@home seeks to enhance the parent-child relationship by introducing the concept of "play therapy" to families and to create a more harmonious Hong Kong by strengthening family ties. Along with Pricerite's cash donations and assistance in creating a set of play therapy chess, our volunteers have been trained as qualified play mentors to help family "play".

### *LZ LifeZtore*

LZ LifeZtore is committed to becoming a leading lifestyle home-product specialist in China. To capture the fast-growing consumer market in China, we have devoted more resources to expanding our network in the mainland. In line with this strategic move, we closed our retail store in Hong Kong during the period under review. LZ LifeZtore is committed to service excellence. Our frontline professionals received Distinguished Salesperson Awards (Hong Kong Management Association) for the third consecutive year. In the latter half of 2008, LZ LifeZtore will revamp our brand, refresh store image and strengthen product designs and offerings.

## Entertainment Portal – Moli Group

During the review period, Moli Group officially launched "Radiant Arcana", a new massively multi-player online role-playing game ("MMORPG"), and web game "Totem Three-Kingdom" in Mainland China. Gamers received all these initiatives positively. To enhance marketing efficiency, we consolidated our promotion points to several major cities across the mainland.

The launch of "The Curse" in Taiwan met with overwhelming response while our popular "King of Pirate" and "CABAL" games provided consistent growth in the Taiwan online gaming market.

"King of Pirate" continued to be positively received by overseas operations across North America, Southeast Asia and Russia. During the review period, we entered into a licensing agreement with an overseas gaming operator to launch "King of Pirate" in Indonesia.

For the rest of the year, our strategic focus still lies in optimising our operating efficiency, improving the service standards of our gaming platform, strengthening game development capabilities and cultivating brand image. To continuously enhance our competitiveness, we will introduce more game titles in Mainland China and Taiwan in order to raise our market share, enhance our overseas publishing capabilities and expand our geographical presence.

## Prospects

Looking ahead, we are cautiously optimistic about the financial services and consumer markets in Hong Kong and the Mainland. We expect the general economy to remain stable and to grow at a slower pace in the second half of 2008 than in the same period in 2007. Despite a possible global slowdown, the impact on Hong Kong is likely to be moderated by support from Mainland China's solid sustainable development.

The board of directors believes that the Group's solid foundation, including a diversified income portfolio, strong capital base, and stable, professional human resources, will enable it to weather the challenges ahead.

# Employee Information

At 30 June 2008, the Group had 2,397 employees, of which 360 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\$132.3 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, supply management, team building, communication, presentation, coaching, retail management certificate programme 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, rules and regulations and safety measures. 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 2008, 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 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 ("Model Code") were as follows:

## A. The Company

### (a) Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	-	62,808,512*	34.80
Lin Che Chu George	Beneficial owner	5,230,000	-	2.90
Law Ping Wah Bernard	Beneficial owner	6,784,060	-	3.76
		12,014,060	62,808,512	41.46

\* 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.

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

Name	Date of grant	Exercise period	Exercise price per share (Note (2)) (HK\$)	Notes	Number of options		Percentage to issued shares	
					outstanding as at 1 January 2008	adjusted on 6 June 2008 (Note (2))	outstanding as at 30 June 2008	issued shares as at 30 June 2008 (%)
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006 – 12/11/2008	1.615	(1)	4,000,000	(3,200,000)	800,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	2.450	(1)	2,500,000	(2,000,000)	500,000	0.28
Lin Che Chu George	13/11/2006	13/11/2006 – 12/11/2008	1.615		4,000,000	(3,200,000)	800,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	2.450		2,500,000	(2,000,000)	500,000	0.28
Law Ping Wah Bernard	13/11/2006	13/11/2006 – 12/11/2008	1.615		4,000,000	(3,200,000)	800,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	2.450		2,500,000	(2,000,000)	500,000	0.28
Wong Kin Yick Kenneth	13/11/2006	13/11/2006 – 12/11/2008	1.615		4,000,000	(3,200,000)	800,000	0.44
	6/6/2007	6/6/2007 – 31/5/2009	2.450		2,500,000	(2,000,000)	500,000	0.28
					26,000,000	(20,800,000)	5,200,000	2.88

Notes:

- (1) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (2) The number and the exercise price of share options which remained outstanding on 6 June 2008 have been adjusted due to the Share Consolidation of the Company for every 5 existing shares into 1 share with effect from 4:00 pm on 6 June 2008. The exercise prices per share were adjusted from HK\$0.323 to HK\$1.615 and from HK\$0.490 to HK\$2.450.
- (3) The options are held by the directors in the capacity of beneficial owners.
- (4) No option was granted, lapsed, exercised or cancelled during the period.

B. Associated corporations (within the meaning of SFO)

(i) CFSG

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	1,988,000	205,748,799*	50.30
Lin Che Chu George	Beneficial owner	3,942,400	-	0.96
Law Ping Wah Bernard	Beneficial owner	6,513,920	-	1.58
Wong Kin Yick Kenneth	Beneficial owner	4,440,800	-	1.08
		16,885,120	205,748,799	53.92

\* The shares were held as to 194,439,039 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of the Company, and as to 11,309,760 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.

(ii) Netfield

Long positions in the underlying shares

On 9 January 2007 (as amended on 22 January 2007), Mr Lin Che Chu George, an executive director, was granted of an option to acquire from the Group such number of shares in Netfield (a subsidiary of the Group) as representing 10% of the issued share capital in Netfield 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 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 2008, none of the directors, chief executive or their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as 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 2008 were as follows:

Date of grant	Exercise period	Exercise price per share (Note (2)) (HK\$)	Notes	Number of options		
				outstanding as at 1 January 2008	adjusted on 6 June 2008 (Note (2))	outstanding as at 30 June 2008
<b>Directors</b>						
13/11/2006	13/11/2006 – 12/11/2008	1.615	(1)	16,000,000	(12,800,000)	3,200,000
6/6/2007	6/6/2007 – 31/5/2009	2.450	(1)	10,000,000	(8,000,000)	2,000,000
				26,000,000	(20,800,000)	5,200,000
<b>Employees</b>						
13/11/2006	13/11/2006 – 12/11/2008	1.615		4,000,000	(3,200,000)	800,000
30/5/2007	30/5/2007 – 31/5/2009	2.400		7,700,000	(6,160,000)	1,540,000
6/6/2007	6/6/2007 – 31/5/2009	2.450		32,300,000	(25,840,000)	6,460,000
				44,000,000	(35,200,000)	8,800,000
				70,000,000	(56,000,000)	14,000,000

Notes:

- (1) Details of the options granted to the directors are set out in the section headed "Directors' Interests in Securities".
- (2) The number and the exercise price of share options which remained outstanding on 6 June 2008 have been adjusted due to the Share Consolidation of the Company for every 5 existing shares into 1 share with effect from 4:00 pm on 6 June 2008. The exercise prices per share were adjusted from HK\$0.323, HK\$0.480 and HK\$0.490 to HK\$1.615, HK\$2.400 and HK\$2.450 respectively.
- (3) No option was granted, lapsed, exercised or cancelled during the period.

## 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 2008 were as follows:

### CFSG

Date of grant	Exercise period	Exercise price per share (Note (1)) (HK\$)	Note	Number of options				
				outstanding as at 1 January 2008	exercised during the period (Note (2))	lapsed during the period (Note (4))	adjusted on 1 May 2008 (Note (1))	outstanding as at 30 June 2008
<b>Directors</b>								
-				-	-	-	-	-
<b>Employees</b>								
7/7/2006	7/7/2006-31/7/2010	1.31	(3)	5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	568,000
				5,424,341	(1,000,000)	(1,582,100)	(2,274,241)	568,000

Notes:

- (1) The number and the exercise price of share options which remained outstanding on 1 May 2008 have been adjusted due to the share consolidation of CFSG for every 5 existing shares into 1 share with effect from 4:00 pm on 1 May 2008. The exercise price per share was adjusted from HK\$0.262 to HK\$1.31.
- (2) On 24 April 2008, 1,000,000 share options of CFSG were exercised at the exercise price of HK\$0.262 per share. The weighted average closing price of CFSG's shares immediately before the date of exercise was HK\$0.67 per share.
- (3) 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.
- (4) The lapsed options were due to expiry or cessation of employment of participants with the Group.
- (5) No option was granted or cancelled during the period.

# Substantial Shareholders

As at 30 June 2008, the persons/companies, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (Note)	Trustee of a discretionary trust	62,808,512	34.80
Cash Guardian (Note)	Interest in a controlled corporation	62,808,512	34.80

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 2008, 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 2008 to 30 June 2008, 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. The directors are not aware of any deviations from the CG Code throughout the period under review.

## 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 2008 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 2008, 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, 12 September 2008

As at the date hereof, the directors of the Company are:-

*Executive directors:*

Mr Kwan Pak Hoo Bankee

Mr Lin Che Chu George

Mr Law Ping Wah Bernard

*Independent non-executive directors:*

Mr Leung Ka Kui Johnny

Mr Wong Chuk Yan

Dr Chan Hak Sin