

CASH FINANCIAL SERVICES GROUP  
時 富 金 融 服 務 集 團



CASH Financial Services Group Limited

(Stock Code: 510)

Interim Results 2009

# Consolidated Income Statement

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

	Notes	Unaudited six months ended 30 June	
		2009 HK\$'000	2008 HK\$'000
Revenue	(3)	114,590	198,891
Other operating income		2,148	2,189
Salaries, commission and related benefits		(70,856)	(88,051)
Depreciation		(13,132)	(6,420)
Finance costs		(4,791)	(7,621)
Other operating and administrative expenses		(54,511)	(47,799)
Net gains (losses) on financial assets at fair value through profit or loss		11,877	(3,311)
Share of loss of an associate		(412)	(1,876)
(Loss) profit before taxation		(15,087)	46,002
Taxation charge	(5)	(1,200)	(4,892)
(Loss) profit for the period		(16,287)	41,110
Attributable to:			
Equity holders of the Company		(15,751)	41,035
Minority interests		(536)	75
		(16,287)	41,110
Dividend:			
Declared interim dividend (30 June 2009: nil; 30 June 2008: interim dividend of HK\$0.02 per share and special dividend of HK\$0.08 per share based on 412,263,405 shares)		—	41,226
Dividend recognised as distribution during the period — payment of 2007 final dividend of HK\$0.03 per share		—	62,339
(Loss) earnings per share	(6)		
— Basic		HK\$(0.03)	HK\$0.10
— Diluted		N/A	HK\$0.10



# Consolidated Balance Sheet

30 June 2009  
(Unaudited)  
HK\$'000

31 December 2008  
(Audited)  
HK\$'000

	Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
<b>Non-current assets</b>			
Property and equipment	(7)	100,766	108,164
Goodwill		4,933	4,933
Intangible assets	(8)	11,062	11,062
Other assets	(9)	132,776	132,718
Loans receivable	(11)	—	192
Interests in associates		111,273	111,684
Loan to an associate		10,296	10,296
		<b>371,106</b>	<b>379,049</b>
<b>Current assets</b>			
Accounts receivable on disposal of subsidiaries		—	171,498
Accounts receivable	(10)	1,061,401	304,042
Loans receivable	(11)	16,028	13,629
Prepayments, deposits and other receivables		28,286	22,864
Amounts due from an associate		260	260
Amounts due from fellow subsidiaries		380	341
Tax recoverable		1,230	1,230
Investments held for trading	(12)	44,307	79,155
Deposit with brokers		—	2,730
Bank deposits subject to conditions		27,422	35,180
Bank balances — trust and segregated accounts		664,653	542,079
Bank balances (general accounts) and cash		251,943	175,201
		<b>2,095,910</b>	<b>1,348,209</b>



		30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
	Notes		
<b>Current liabilities</b>			
Accounts payable	(13)	860,553	689,175
Accrued liabilities and other payables		33,880	46,482
Derivative financial instruments		—	3,067
Taxation payable		16,243	20,172
Obligations under finance leases — amount due within one year		123	127
Bank borrowings — amount due within one year		707,952	195,253
Loan from a minority shareholder		27,437	27,437
		<b>1,646,188</b>	<b>981,713</b>
<b>Net current assets</b>		<b>449,722</b>	<b>366,496</b>
<b>Total assets less current liabilities</b>		<b>820,828</b>	<b>745,545</b>
<b>Capital and reserves</b>			
Share capital	(15)	61,710	41,140
Reserves		703,849	648,153
Equity attributable to equity holders of the Company		765,559	689,293
Minority interests		15,219	16,762
<b>Total equity</b>		<b>780,778</b>	<b>706,055</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		2,342	2,342
Obligations under finance leases — amount due after one year		256	315
Bank borrowings — amount due after one year		37,452	36,833
		<b>40,050</b>	<b>39,490</b>
		<b>820,828</b>	<b>745,545</b>



# Condensed Consolidated Cash Flow Statement

Unaudited  
six months ended 30 June  
2009                      2008  
HK\$'000                      HK\$'000

Net cash (used in) from operating activities	(525,638)	152,016
Net cash used in investing activities	(2,697)	(48,462)
Net cash from financing activities	605,077	44,759
Net increase in cash and cash equivalents	76,742	148,313
Cash and cash equivalents at beginning of period	175,201	256,668
Cash and cash equivalents at end of period	251,943	404,981
Bank balances (general accounts) and cash	251,943	404,981



# Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2009

		Attributable to equity holders of the Company								
		Share capital	Share premium	Contributed surplus	Share-based payment reserve	Translation reserve	Retained profits	Total	Minority interests	Total
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 January 2009	41,140	309,851	276,788	—	5,360	56,154	689,293	16,762	706,055
	Loss for the period	—	—	—	—	—	(15,751)	(15,751)	(536)	(16,287)
	Exchange differences arising on translation of foreign operations	—	—	—	—	195	—	195	—	195
	Total recognised income and expense for the period	—	—	—	—	195	(15,751)	(15,556)	(536)	(16,092)
	Issue of new shares due to rights issue	(a)	20,570	71,996	—	—	—	92,566	—	92,566
	Transaction costs attributable to issue of new shares		—	(744)	—	—	—	(744)	—	(744)
	Acquisition of minority interest		—	—	—	—	—	—	(1,007)	(1,007)
	At 30 June 2009	61,710	381,103	276,788	—	5,555	40,403	765,559	15,219	780,778

Unaudited six months ended 30 June 2008

		Attributable to equity holders of the Company								
		Share capital	Share premium	Contributed surplus	Share-based payment reserve	Translation reserve	Retained profits	Total	Minority interests	Total
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	At 1 January 2008	207,697	319,948	170,550	88	855	199,227	898,365	1,001	899,366
	Profit for the period	—	—	—	—	—	41,035	41,035	75	41,110
	Share of translation reserve of associate	—	—	—	—	2,035	—	2,035	—	2,035
	Total recognised income for the period	—	—	—	—	2,035	41,035	43,070	75	43,145
	Issue of new shares	(b)	100	162	—	—	—	262	—	262
	Reduction of shares due to share consolidation and capital reduction	(c)	(166,238)	—	166,238	—	—	—	—	—
	Share repurchases	(d)	(258)	(6,990)	—	—	—	(7,248)	—	(7,248)
	2007 final dividend paid		—	—	—	—	—	(62,339)	—	(62,339)
	At 30 June 2008	41,301	313,120	336,788	88	2,890	177,923	872,110	1,076	873,186



Notes:

- (a) Please refer to note (15) of share capital for details.
- (b) On 24 April 2008, 1,000,000 share options were exercised at an exercise price of HK\$0.262 each, resulting in the issue of a total of 1,000,000 new shares of HK\$0.10 each for a total consideration (before expenses) of HK\$262,000. These shares rank pari passu in all respects with other shares in issue.
- (c) Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 30 April 2008, the Company, with effect from 2 May 2008:
  - (i) consolidated every 5 issued shares of HK\$0.10 each in the issued share capital of the Company to 1 share of HK\$0.50 each ("Consolidated Share") ("Share Consolidation");
  - (ii) reduced the issued share capital by cancelling paid up capital to the extent of HK\$0.40 on each of the Consolidation Share in issue ("Capital Reduction"); and
  - (iii) transferred the amount of paid up capital cancelled arising from the Capital Reduction of approximately HK\$166,238,000 to the contributed surplus account.
- (d) During the six months ended 30 June 2008, the Company 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 the Company was reduced by the nominal value of these shares.



Notes:

(1) **Basis of preparation**

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

(2) **Significant accounting policies**

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

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

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

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

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

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

(3) **Revenue**

	Unaudited six months ended 30 June	
	2009 HK\$'000	2008 HK\$'000
Fees and commission income	104,823	171,386
Interest income	9,767	27,505
	114,590	198,891





#### (4) Business and geographical segments

For management purposes, the Group is currently organised into three main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities for the period are as follows:

Broking	Broking of securities, options, futures and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products
Financing	Provision of margin financing and money lending services
Corporate finance	Provision of corporate finance services

Subsequent to the balance sheet date, following the completion of the acquisition of 60% interest of Hong Kong retail business on 6 July 2009 (details of which are set out in note (9) to this financial statements), the Group also engages in the retailing of furniture and household items.

The Group's operation by business segment is as follows:

#### Consolidated income statement for the six months ended 30 June 2009

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
Revenue	101,231	9,767	3,592	114,590
RESULT				
Segment (loss) profit	(7,832)	798	206	(6,828)
Other operating income				2,148
Share of loss of an associate				(412)
Net profit on financial assets at fair value through profit or loss				11,817
Unallocated corporate expenses				(21,812)
Loss before taxation				(15,087)
Taxation charge				(1,200)
Loss for the period				(16,287)



## Consolidated income statement for the six months ended 30 June 2008

	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Consolidated HK\$'000
Revenue	166,663	27,505	4,723	198,891
<b>RESULT</b>				
Segment profit	49,661	3,533	855	54,049
Other operating income				2,189
Share of loss of an associate				(1,876)
Net loss on financial assets at fair value through profit and loss				(3,311)
Unallocated corporate expenses				(5,049)
Profit before taxation				46,002
Taxation charge				(4,892)
Profit for the period				41,110

The Group's operations are located in Hong Kong and the People's Republic of China and the revenue of the activities of broking, financing and corporate finance is derived from Hong Kong.

The Group's segment revenue from external customers cannot be allocated based on geographic location of its customers. No analysis of the Group's revenue by geographical market based on the location of operations is necessary, as all the revenue of the Group's activities are derived from Hong Kong.

### (5) Taxation charge

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

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for both periods.

No deferred tax asset arising from tax losses brought forward has been recognised in the financial statements due to the unpredictability of future profit streams.



(6) (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 2009 together with the comparative figures for the prior period are based on the following data:

	Unaudited six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
(Loss) profit for the purpose of basic and diluted (loss) earnings per share	(15,751)	41,035

	Unaudited six months ended 30 June	
	2009	2008
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	499,050,667	419,807,883
Effect of dilutive potential ordinary shares assumed exercise of share options	—	336,167
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	499,050,667	420,144,050

The weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share has been adjusted for the effects of the rights issue on 17 April 2009.

The computation of diluted loss per share for the period ended 30 June 2009 does not assume the exercise of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

(7) Property and equipment

During the period, the Group spent approximately HK\$5,734,000 (2008: HK\$43,200,000) on the acquisitions of property and equipment.



(8) Intangible assets

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Trading rights in the exchanges in Hong Kong	9,092	9,092
Club memberships	1,970	1,970
	<b>11,062</b>	<b>11,062</b>

(9) Other assets

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Statutory and other deposits	9,505	9,447
Deposits paid to residential property developers	63,271	63,271
Deposits paid for acquisition of fellow subsidiaries (Note)	60,000	60,000
	<b>132,776</b>	<b>132,718</b>

Note: On 19 December 2008, the Company announced a very substantial acquisition and connected transaction for (i) the proposed acquisition of 60% of the equity interest in CASH Retail Management (HK) Limited (together with its subsidiaries "Retail Group", which mainly engages in the retail business in Hong Kong) from CASH Group Limited ("CGL") (a wholly-owned subsidiary of CASH) and the loan due from the Retail Group to CGL, if any, and (ii) the grant of a purchaser call option by CGL to the Company to acquire the remaining 40% of the equity interest in the Retail Group, at an aggregate consideration of approximately HK\$300 million (subject to adjustment). The transactions were approved by the independent shareholders of the Company at a special general meeting held on 11 June 2009. The total final consideration for acquisition of 100% of equity interest of the Retail Group was fixed at HK\$310,340,000. The acquisition of 60% equity interest in the Retail Group was completed on 6 July 2009, subsequent to the balance sheet date, and the consideration has been settled as to HK\$60 million by cash deposit and the remaining balance by the issue of a convertible note by the Company in the principal amount of HK\$126,204,000 to CGL. Details of the acquisition were set out in the Company's announcement dated 19 December 2008 and the circular dated 26 May 2009.



(10) Accounts receivable

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	239,893	72,199
Cash clients	72,859	36,425
Margin clients	151,289	97,185
Clients of subscription for initial public offerings ("IPOs")	501,565	—
Accounts receivable arising from the business of dealing in futures and options:		
Clients	65	65
Clearing houses, brokers and dealers	93,947	94,719
Commission receivable from brokerage of mutual funds and insurance-linked investment plans and products	1,040	2,349
Accounts receivable arising from the business of provision of corporate finance services	743	1,100
	<b>1,061,401</b>	<b>304,042</b>

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

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment products as well as accounts receivable arising from the business of corporate finance services, the Group allows a credit period of 30 days. The aged analysis is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0-30 days	725	2,034
31-60 days	357	458
61-90 days	31	323
Over 90 days	670	634
	<b>1,783</b>	<b>3,449</b>



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

Included in accounts receivable from margin clients arising from the business of dealing in securities are amounts due from certain related parties, the details of which are as follows:

Name	Balance at 1 January 2009 HK\$'000	Balance at 30 June 2009 HK\$'000	Maximum amount outstanding during the period HK\$'000	Market value of pledged securities at fair value at 30 June 2009 HK\$'000
<b>Directors of both the Company and Celestial Asia Securities Holdings Limited ("CASH")</b>				
Mr Law Ping Wah Bernard and associates (Note 1)	—	—	11,149	—
Mr Wong Kin Yick Kenneth and associates (Note 2)	222	277	283	1,805
<b>Director of the Company</b>				
Mr Cheng Man Pan Ben and associates	29	150	5,173	3,876
<b>Subsidiary of CASH (Note 3)</b>				
Libra Capital Management (HK) Limited (formerly known as E-Tailer Holding Limited)	—	—	27,348	592
<b>Substantial shareholder of CASH</b>				
Mr Kwan Pak Hoo Bankee and associates	—	—	8,523	—

Notes:

- (1) Associates are defined in accordance with the Listing Rules.
- (2) Mr Wong Kin Yick Kenneth resigned as executive directors of both the Company and CASH during the year ended 31 December 2008.
- (3) Kawoo Finance Limited became a wholly-owned subsidiary of the Group in 2008 and therefore no further disclosure is needed.

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



(11) Loans receivable

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Variable-rate loans receivable denominated in Hong Kong dollar	19,625	17,554
Less: Allowance for bad and doubtful debts	(3,597)	(3,733)
	16,028	13,821
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	16,028	13,629
Non-current assets (receivable after 12 months from the balance sheet date)	—	192
	16,028	13,821

The variable-rate loans receivable have contractual maturity dates as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	16,028	13,629
In more than one year but not more than two years	—	192
In more than two years but not more than three years	—	—
In more than three years but not more than four years	—	—
	16,028	13,821

(12) Investments held for trading

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Equity securities held in Hong Kong	43,209	78,419
Investment funds	1,098	736
	44,307	79,155



(13) Accounts payable

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities:		
Cash clients	429,469	400,345
Margin clients	276,151	120,928
Accounts payable to clients arising from the business of dealing in futures and options	154,616	167,545
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	317	357
	<b>860,553</b>	<b>689,175</b>

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

(14) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, deposits paid for acquisition of fellow subsidiaries, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Market risk**

*Equity price risk*

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





### *Equity price sensitivity*

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

For the period ended 30 June 2009, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's loss would decrease/increase by HK\$13,292,000 (2008: the Group's profit would increase/decrease by HK\$19,347,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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

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

### *Interest rate risk*

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

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

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

The sensitivity analysis is prepared assuming the financial instruments outstanding at the balance sheet date were outstanding for the whole period. For the period ended 30 June 2009, if the interest rate of bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's loss would decrease/increase by HK\$3,894,000 (2008: the Group's profit would increase/decrease by HK\$4,234,000). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.



### *Foreign currency risk*

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

More than 99% of financial assets and financial liabilities of the Group are denominated in US\$ or 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***

As at 30 June 2009, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk on brokerage, financing and corporate finance 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. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on deposits paid for acquisition of fellow subsidiaries and amounts receivable on disposal of subsidiaries which are payable by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of CASH, the Group does not have any other significant concentration of credit risk as the exposure spread over a number of counterparties and customers. CIGL is financially supported by CASH. Accordingly, the directors of the Company consider the credit risk is minimal in the view of financial background of CASH.

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

### ***Liquidity risk***

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



(15) Share capital

	Note	Number of shares '000	Amount HK\$ '000
Authorised:			
Ordinary shares of HK\$0.10 each at 1 January 2009 and 30 June 2009		3,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK\$0.10 each at 1 January 2009		411,405	41,140
Issue of shares due to rights issue	(a)	205,703	20,570
Ordinary shares of HK\$0.10 each at 30 June 2009		617,108	61,710

Note:

- (a) On 17 April 2009, 205,702,702 shares of HK\$0.10 each were issued by way of rights issue at a subscription price of HK\$0.45 per share. The gross proceeds of approximately HK\$92.6 million were used as additional working capital to strengthen the Company's financial position. These shares rank pari passu in all respects with other shares in issue.



(16) Related party transactions

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

		Unaudited six months ended 30 June	
	Notes	2009 HK\$'000	2008 HK\$'000
Commission and interest income received from the following wholly-owned subsidiaries of CASH	(a)		
Kowoo Finance Limited		—	1,182
Libra Capital Management (HK) Limited (formerly E-Tailer Holding Limited)		686	29
		<b>686</b>	<b>1,211</b>
Commission and interest income received from the following substantial shareholder of CASH	(b)		
Mr Kwan Pak Hoo Bankee and associates		21	58
Commission and interest income received from substantial shareholder of the Company	(c)	13	86
Commission and interest income received from the following directors of the Company	(d)		
Mr Law Ping Wah Bernard and associates		23	26
Mr Cheng Man Pan Ben and associates		19	25
Mr Yuen Pak Lau Raymond and associates	(e)	7	5
Mr Wong Kin Yick Kenneth and associates	(f)	97	77
		<b>146</b>	<b>133</b>
Commission received from director of CASH	(g)	9	7
Mr Lin Che Chu George and associates			
Interest income from CASH for the amounts receivable on disposal of subsidiaries	(h)	2,387	4,547



Notes:

- (a) During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK\$686,000 (2008: HK\$1,211,000) from certain wholly-owned subsidiaries of CASH. Because Kawoo Finance Limited became a wholly-owned subsidiary of the Group since the second half of 2008, no corresponding disclosure is then required for current period.
- (b) During the six months ended 30 June 2009, the Group received commission and interest income from margin financing of approximately HK\$21,000 (2008: HK\$58,000) from a substantial shareholder of CASH.
- (c) During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK\$13,000 (2008: HK\$86,000) from a substantial shareholder of the Company.
- (d) During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK\$146,000 (2008: HK\$133,000) from certain directors of the Company.
- (e) Mr Yuen Pak Lau Raymond was appointed as an executive director of the Company during the year ended 31 December 2008 and therefore his comparative figures in 2008 are restated.
- (f) Mr Wong Kin Yick Kenneth resigned as executive directors of both the Company and CASH during the year ended 31 December 2008.
- (g) During the six months ended 30 June 2009, the Group received commission of approximately HK\$9,000 (2008: HK\$7,000) from a director of CASH.
- (h) During the six months ended 30 June 2009, the Group received interest income of approximately HK\$2,387,000 (2008: HK\$4,547,000) from CASH for the amounts receivable on disposal of subsidiaries. The interest was calculated at Hong Kong Prime Rate.



# Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2009 (2008: interim dividend of HK\$0.02 per share and special dividend of HK\$0.08 per share based on 412,263,405 shares).

# Review and Outlook

## Financial Review

For the six months ended 30 June 2009, the Group recorded a net loss of HK\$16.3 million as compared to a net profit of HK\$41.1 million as recorded in the same period of last year. The recorded loss was mainly due to the dramatic fall in commission revenue amid the extremely poor financial environment. Being one of the leading financial services groups in Hong Kong, the Group's brokerage business had been hit hard by the worst financial turmoil in the recent history of the global financial world after the collapse of Lehman Brothers in October 2008. The already bearish investment sentiment brought about by the financial crisis had been further clouded by the banks' concerted actions to tighten, if not suspend, all sorts of credit lines in both local and global markets amid the fears that more financial and commercial giants with severe financial difficulties and would suffer the same fate of Lehman Brothers as the financial tsunami spread from the US to the rest of the world. With the Hang Seng Index having slid 67% from its top in late 2007 to its low at 10,515 in late 2008, the market turnover in Hong Kong for the first half of 2009 were down 33.5% from the same period of 2008. As a result of the poor investment sentiment, the Group recorded revenue of HK\$114.6 million for the period as compared to HK\$198.9 million for the same period of the previous year. The significant decrease was attributable to the reduction in both the commission income generated from the Group's brokerage business and interest income from its financing activities, reflecting the weak investor sentiment in the local securities market. After coming across the most difficult times in recent years, the Group had seen its brokerage business start improving towards the end of the second quarter of the year as the optimistic sentiment began to take hold in the city after the governments all over the world began to pursue all necessary fiscal and monetary measures to restore the financial orders and to pull their countries out of recession.

### *Liquidity and Financial Resources*

The Group's total equity amounted to HK\$780.8 million on 30 June 2009 as compared to HK\$706.1 million at the end of the previous year. The change was the combined result of the reduction in retained earnings due to the reported loss for the period and the effect of the 2-for-1 rights issue raising approximately HK\$92.6 million capital during the period under review.

As at 30 June 2009, the Group had total bank borrowings of approximately HK\$745.4 million, comprising bank loans of HK\$697.0 million, mortgage loans of HK\$37.4 million and overdrafts of HK\$11.0 million.



Among the above bank borrowings, HK\$102.3 million were collateralised by its margin clients' securities pledged to the Group. Mortgage loans of HK\$37.4 million were secured by the investment properties under construction with a total carrying amount of approximately HK\$63.3 million. There were also unsecured borrowings including a syndicated bank loan of HK\$81.0 million, unsecured bank loans of HK\$30.0 million, unsecured overdrafts of HK\$1.7 million and short term bank borrowings in relation to IPOs re-financing of HK\$493.0 million.

As at 30 June 2009, our cash and bank balances including the trust and segregated accounts totalled HK\$944.0 million as compared to HK\$752.5 million at the end of the previous year. The increase in the cash balances was mainly due to the increase in deposits by our broking clients whose confidence in the stock market had been recovered near the current period-end. It is also contributed by the cash generated from the rights issue of the Company as abovementioned.

A deposit of HK\$10.3 million was pledged to facilitate a standby letter of credit facility granted by a bank to an associate of the Company. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK\$15.0 million with the bank as a pre-condition for an overdraft facility of HK\$15.0 million granted by this bank. Accordingly, a bank deposit of approximately HK\$17.1 million was held for this purpose.

The liquidity ratio on 30 June 2009 remained healthy at 1.3 times, as compared to 1.4 times on 31 December 2008.

Excluding the effect of short term bank borrowings in relation to IPOs re-financing, which have been fully settled subsequent to the period-end date, the gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total shareholders' equity, was 32.4% on 30 June 2009 as compared to 32.9% on 31 December 2008, which was kept at a conservatively low level. On the other hand, we have no 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*

Save as the acquisition as disclosed in note 9 to the financial statements in this report, the Group did not make any material acquisitions or disposals during the period.

#### *Capital Commitment*

As at 30 June 2009, the Group does not have any material outstanding capital commitment.



### *Material Investments*

As at 30 June 2009, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK\$44.3 million and net gain on listed investments and unlisted investment funds totally of HK\$11.9 million was recorded for the period.

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

### **Industry Review**

The global economy started to show signs of stabilisation in the second quarter with China leading the pack. Since early March, global markets embarked on a spectacular rally on the back of valuations returning to reasonable levels, abundant liquidity being pumped into the markets, and hopes that the economy is bottoming out.

In terms of market capitalisation, the Hang Seng index rose HK\$3.8 trillion since the beginning of this year and concluded the mid-year with a gain of 37% to HK\$14 trillion. From the trough in October 2008, the HSI and HSCEI have risen 61% and 109% respectively. Yet, total capital raised from new issues fell two quarters in a row to only HK\$17 billion, merely one third of the volume a year ago, while daily market turnover was 33% lower than the same period of last year.

In the Mainland, the Central Government's fiscal stimulus and monetary easing boost abundant liquidity in the economic system, which in turn has driven up the stock and property markets. In addition, attractive market valuations and earnings upgrades helped improve investment sentiment and increase investors' appetite towards stocks in the second quarter. The Shanghai SE Composite Index ended the mid-year at 2,975, an increase of 60% since the beginning of the year.

### **Business Review**

The Group's revenue was HK\$114.6 million, a fall of 42.4% compared to HK\$198.9 million for the same period of last year. Net loss for the six months ended 30 June 2009 was HK\$16.3 million.

### *Securities Broking*

Since the end of last year, we have foreseen a slowdown in trading activities and hence modified our strategy to develop a more balanced business mix to smooth out the impact of the reduced market turnover. With the fall in turnover and the lack of mega IPO activities, interest income for margin financing business has dropped two years in a row. Yet our operating income from securities broking was able to restore to the level similar to that of the second quarter of last year thanks to our quick response to income repositioning. Our daily turnover increased by approximately 60% quarter-over-quarter in the second quarter.





To improve the stability of our electronic trading platform for clients in China, we have sought a number of solutions to ensure that the transmission speed is fast and stable. In addition, we have devoted resources to enhance the PRC web interface and to customise the look and feel of our trading site.

As a way to strengthen our active trading business, we have employed advanced trading technology to ensure direct market access to the world exchanges. This technology has proven effective and successfully helped us gather more institutional business.

#### *Wealth Management*

Further to the re-engineering last year, the wealth management division has been rebranded CASH Wealth Management Limited in June to reflect its new positioning. The business has gradually gone back on track and successfully attracted the targeted group of sales professionals in recent months. The percentage of new sales intake has been increasing in double-digit. As a result, the unit started to see a steady recovery in the second quarter after it recorded a significant fall in revenue in the first quarter.

As a means to smooth out revenue volatility and increase income sources, the business unit has initiated a number of projects to enhance its sales platform to include MPF and General Insurance and other business capabilities. The objective is to equip the financial planning managers with multiple tools that cater to clients' overall financial needs.

#### *Asset Management*

The asset management business continues to be an important drive to our strategy of product and income diversification. During the period under review, assets under management and performance fee rose nearly 50% since the end of 2008 while the general market improved by only 37%. The result highlights one of the benefits of this business model: a growing opportunity to increase the base income with considerable incentive revenues earned when we achieve superior returns for our clients.

To enhance the cross-selling synergies, the division worked hand-in-hand with other business units to hold investment seminars to educate the investing public and promote our services both in Hong Kong and China. The feedback for the events is positive and the interest is overwhelming. While continuing to increase our assets under management, the unit plans to launch theme-based investment plans to attract different interest groups.

#### *Investment Banking*

The corporate finance activities in Hong Kong continued to be sluggish in the first quarter following the unprecedented financial crisis last year. Subsequent to the quantitative easing strategy adopted by various governments, the market liquidity became vigorous in the second quarter. Both primary and secondary fund raisings and M&A activities picked up. During the period, the corporate finance unit has maintained its strategy to focus on financial advisory and corporate transactions and has taken a proactive approach to placing and fund raising for existing clients. The strategy was effective in generating steady income despite the unfavorable market conditions.



In light of the improved sentiment toward IPOs and the secondary market, the corporate finance business will continue to seek fund raising and IPO opportunities in addition to financial advisory services for M&As and corporate transactions.

### *China Development*

Continuing with our key strategy from last year, we focus on the positioning of our footing for business development in China. The four offices set up last year were active in conducting investment seminars with local partners to provide educational information on investment. Through these joint events, we were able to gain exposure and market our brand to prospects. Another key function of the offices is to become a marketing and branding channel to meet with our business associates and partners. Even though the market sentiment was somewhat negative during the period under review, we made an effort to visit potential partners and seek collaborative opportunities. These activities were intensified after the CEPA VI announcement.

### *Other Development*

As a leading technology-focused financial service provider, we introduced the world's first 3D AI Broker, a real-time and humanoid system that enhances online communications. The 3D AI Broker system won a Certificate of Merit for the Innovation and Creativity Category of the Hong Kong Awards for Industry from the Hong Kong Productivity Council and the Hong Kong General Chamber of Commerce since its introduction. The system offers order confirmations, up-to-date trading status and many other useful surfing features.

The commodities trading platform has also been enhanced to provide better trading experience to clients. In particular, more than ten new functions have been added to simplify and speed up order placing.

Our plan is to equip CFSG with a full range of product offerings, a scaleable and stable platform with a technologically advanced system to provide a boundary-less and interactive service experience.

## **Outlook**

Signs of recovery in the Mainland appeared strong and its GDP growth for the year will likely achieve 8%. In Hong Kong the GDP is expected to show a negative 3.5–4.5% despite the government's relief measures to help the needy and general public to weather the economic downturn. The local unemployment rate is likely to increase in the coming months as corporate hiring will remain slow.

The Group is cautiously optimistic about the business outlook for the rest of 2009 despite the fact that we are still facing a grim external environment. The management believes that the worst is behind us. The recession could be over before the end of this year and visibility of the future is clearer than before. An improved earnings outlook against a backdrop of low interest rates supports the recovery of stock markets. The Group believes the economy will continue to recover and emerge from the financial meltdown with a stronger business base and more rational corporate behaviour.



Going forward, we will continue to prudently manage our cost structure and strengthen our operation control while we adopt the "Back on Track" strategy. We believe it is cost effective to expand our market share in low times like this by taking a more aggressive business approach. Along this strategy, we will devote more resources to strengthen our brand and reinforce our market position in preparation for the market upswing. We will keep investing in infrastructure that is key to our positioning as a boundary-less service provider. With the PRC market as our future expansion focus, we will beef up our platform with multi-faceted and diversified capabilities in preparation of the eventual opening up of China's financial markets.

Overall, we will continue to diversify our revenue mix through strengthening existing businesses, enriching product types, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs and values their business relationships.

## Employee Information

At 30 June 2009, the Group had 278 employees. 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\$41.4 million.

### *Benefits*

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

### *Training*

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

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



# Directors' Interests in Securities

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

## A. The Company

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

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Beneficial owner and founder of a discretionary trust	8,168,000	315,121,198*	52.39
Chan Chi Ming Benson	Beneficial owner	10,000,000	—	1.62
Law Ping Wah Bernard	Beneficial owner	13,771,120	—	2.23
Cheng Man Pan Ben	Beneficial owner	5,334,000	—	0.86
Yuen Pak Lau Raymond	Beneficial owner	5,000,000	10,000	0.81
Lo Kwok Hung John	Beneficial owner	169,000	—	0.03
		42,442,120	315,131,198	57.94

- \* The shares were held as to 298,156,558 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH), and as to 16,964,640 shares by Cash Guardian Limited ("Cash Guardian"). CASH was owned as to approximately 36.78% by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial shareholders" below.



(b) Long positions in the underlying shares — options under share option scheme

Name	Date of grant	Exercise period	Notes	Exercise price per share (HK\$)	Number of options		Percentage to issued shares as at 30 June 2009 (%)	
					outstanding as at 1 January 2009	granted on 15 June 2009 (Notes (2) & (3))		
Kwan Pak Hoo Bankee	15/6/2009	15/6/2009-30/6/2013	(1)&(4)	0.734	—	5,000,000	5,000,000	0.81
Chan Chi Ming Benson	15/6/2009	15/6/2009-30/6/2013	(4)	0.734	—	3,000,000	3,000,000	0.49
Low Ping Wah Bernard	15/6/2009	15/6/2009-30/6/2013	(4)	0.734	—	5,000,000	5,000,000	0.81
Cheng Man Pan Ben	15/6/2009	15/6/2009-30/6/2013	(4)	0.734	—	3,000,000	3,000,000	0.49
Yuen Pak Lau Raymond	15/6/2009	15/6/2009-30/6/2013	(4)	0.734	—	3,000,000	3,000,000	0.49
					—	19,000,000	19,000,000	3.09

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 15 June 2009 was HK\$0.700.
- (3) The fair value of the options granted by the Company to the directors during the period totalled approximately HK\$6,028,000. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading of "Share option scheme" below.
- (4) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.
- (5) The options are held by the directors in the capacity of beneficial owners.



(c) *Aggregate long positions in the ordinary shares and the underlying shares*

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage
				to issued shares as at 30 June 2009 (%)
Kwan Pak Hoo Bankee	323,289,198	5,000,000	328,289,198	53.20
Chan Chi Ming Benson	10,000,000	3,000,000	13,000,000	2.11
Law Ping Wah Bernard	13,771,120	5,000,000	18,771,120	3.04
Cheng Man Pan Ben	5,334,000	3,000,000	8,334,000	1.35
Yuen Pak Lau Raymond	5,010,000	3,000,000	8,010,000	1.30
Lo Kwok Hung John	169,000	—	169,000	0.03
	357,573,318	19,000,000	376,573,318	61.03

B. Associated corporation (within the meaning of SFO)

CASH

(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	—	66,398,512*	36.78
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	3.76
Cheng Man Pan Ben	Beneficial owner	12,700	—	0.01
Yuen Pak Lau Raymond	Beneficial owner	650,000	—	0.36
		7,446,760	66,398,512	40.91

- \* The shares were held by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial shareholders" below.



(b) Long positions in the underlying shares — options under share option scheme

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			Percentage to issued shares as at 30 June 2009 (%)
				outstanding as at 1 January 2009	granted on 13 March 2009	lapsed during the period	
				outstanding as at 30 June 2009			
Kwan Pak Hoo Bankee	6/6/2007	6/6/2007-31/5/2009	2.450	500,000	—	(500,000)	—
	13/3/2009	13/3/2009-31/3/2011	1.130	—	1,800,000	—	1,800,000
Chan Chi Ming Benson	13/3/2009	13/3/2009-31/3/2011	1.130	—	1,500,000	—	1,500,000
Low Ping Wah Bernard	6/6/2007	6/6/2007-31/5/2009	2.450	500,000	—	(500,000)	—
	13/3/2009	13/3/2009-31/3/2011	1.130	—	1,800,000	—	1,800,000
Cheng Man Pan Ben	6/6/2007	6/6/2007-31/5/2009	2.450	1,300,000	—	(1,300,000)	—
	13/3/2009	13/3/2009-31/3/2011	1.130	—	1,000,000	—	1,000,000
Yuen Pak Lau Raymond	6/6/2007	6/6/2007-31/5/2009	2.450	500,000	—	(500,000)	—
	13/3/2009	13/3/2009-31/3/2011	1.130	—	1,000,000	—	1,000,000
				2,800,000	7,100,000	(2,800,000)	7,100,000
							3.93

Note: The options are held by the directors in the capacity of beneficial owners.

(c) Long positions in the underlying shares — convertible note

On 17 February 2009, a convertible note in the principal amount of HK\$43,243,000 (representing 43,243,000 underlying shares of approximately 23.96% of the issued share capital of CASH) at a conversion price of HK\$1.00 per share was issued by CASH to Cash Guardian for the settlement of the consideration for the acquisition of the entire shareholding interest of Excelbright Enterprises Limited from Mr Kwan Pak Hoo Bankee, an executive director of CASH. The convertible note is convertible during the period from 17 August 2009 to 31 December 2011, in whole or in part, by Cash Guardian or CASH. Mr Kwan was deemed to be interested in the convertible note as a result of his interests in Cash Guardian as disclosed in the "Substantial shareholders" below.



(d) *Aggregate long positions in the ordinary shares and the underlying shares*

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2009 (%)
Kwan Pak Hoo Bankee	66,398,512	45,043,000	111,441,512	61.74
Chan Chi Ming Benson	—	1,500,000	1,500,000	0.83
Law Ping Wah Bernard	6,784,060	1,800,000	8,584,060	4.76
Cheng Man Pan Ben	12,700	1,000,000	1,012,700	0.56
Yuen Pak Lau Raymond	650,000	1,000,000	1,650,000	0.91
	73,845,272	50,343,000	124,188,272	68.80

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





# Share Option Scheme

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

Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options			
				outstanding as at 1 January 2009	adjusted on 19 March 2009 (Note (6))	granted during the period (Notes (7) & (9))	outstanding as at 30 June 2009
<b>Directors</b>							
15/6/2009	15/6/2009-30/6/2013	0.734	(1) & (3)	—	—	19,000,000	19,000,000
<b>Employees and consultants</b>							
7/7/2006	7/7/2006-31/7/2010	1.180	(2) & (6)	113,000	11,000	—	124,000
15/6/2009	15/6/2009-30/6/2013	0.734	(3)	—	—	11,000,000	11,000,000
15/6/2009	15/6/2009-30/6/2013	0.734	(4)	—	—	9,000,000	9,000,000
22/6/2009	22/6/2009-30/6/2013	0.720	(5)	—	—	20,000,000	20,000,000
				113,000	11,000	40,000,000	40,124,000
				113,000	11,000	59,000,000	59,124,000

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) The options were vested in 2 tranches as to (i) 50% exercisable from the commencement of the expiry of 6 months from the date of grant (ie 15 December 2009) up to 30 June 2013; and (ii) 50% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013.
- (4) The options were vested in 3 tranches as to (i) 30% exercisable from the commencement of the expiry of 1 year from the date of grant (ie 15 June 2010) up to 30 June 2013; (ii) 30% exercisable from the commencement of the expiry of 2 years from the date of grant (ie 15 June 2011) up to 30 June 2013; and (iii) 40% exercisable from the commencement of the expiry of 3 years from the date of grant (ie 15 June 2012) up to 30 June 2013.



- (5) The exercise of options were subject to delivery of services to members of the Group as determined at the sole discretion of the Board.
- (6) The number and the exercise price of share options which remained outstanding have been adjusted from 113,000 shares and HK\$1.310 per share to 124,000 shares and HK\$1.180 per share respectively with effect from 19 March 2009, due to the rights issue of the Company.
- (7) The closing price of the share immediately before the date of grant of options on 15 June 2009 and 22 June 2009 was HK\$0.700 and HK\$0.690 respectively.
- (8) No option was lapsed, exercised or cancelled during the period.
- (9) During the six months ended 30 June 2009, none of the share options granted on 15 June 2009 and 22 June 2009 was vested. The estimated fair values of the share options granted on these dates are approximately HK\$12,375,000 and HK\$6,240,000 respectively.

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

	Share options grant date	
	15 June 2009	22 June 2009
Weighted average share price	HK\$0.700	HK\$0.690
Exercise price	HK\$0.734	HK\$0.720
Expected volatility	59.30%	59.30%
Expected life	3 years	3 years
Risk-free rate	1.43%	1.43%
Expected dividend yield	Nil	Nil



# Substantial Shareholders

As at 30 June 2009, so far as is known to the directors and chief executive of the Company, the persons/companies, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and any options in respect of such capital, or were otherwise notified to the Company and recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (Note (1))	Trustee of a discretionary trust	315,121,198	51.06
Cash Guardian (Note (1))	Interest in a controlled corporation	315,121,198	51.06
CASH (Note (1))	Interest in a controlled corporation	298,156,558	48.32
Praise Joy Limited (Note (1))	Interest in a controlled corporation	298,156,558	48.32
CIGL (Note (1))	Beneficial owner	298,156,558	48.32
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	64,372,480	10.43
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	64,372,480	10.43

Notes:

- (1) This refers to the same number of 315,121,198 shares which were held as to 298,156,558 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH) and as to 16,964,640 shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 36.78% by Cash Guardian. 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, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.
- (2) This refers to the same number of 64,372,480 shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the shares held by ARTAR.
- (3) Mr Kwan (a director whose interests are not shown in the above table) was interested and/or deemed to be interested in a total of 323,289,198 shares (52.39%), which were held as to 298,156,558 shares by CIGL, as to 16,964,640 shares by Cash Guardian and as to 8,168,000 shares in his personal name.



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

## Corporate Governance

During the accounting period from 1 January 2009 to 30 June 2009, the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. 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 2009 have not been reviewed by the auditor of the Company, but have been reviewed by the audit committee of the Company.



# Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2009, neither the 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, 21 August 2009

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

*Executive directors:*

Mr Kwan Pak Hoo Bankee  
Mr Chan Chi Ming Benson  
Mr Law Ping Wah Bernard  
Mr Cheng Man Pan Ben  
Mr Yuen Pak Lau Raymond

*Independent non-executive directors:*

Mr Cheng Shu Shing Raymond  
Mr Lo Kwok Hung John  
Mr Lo Ming Chi Charles

