Celestial Asia Securities Holdings Limited

(Stock Code: 1049)

Interim Results 2010

The FSC logo identifies products which contain wood and virgin fibre from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.

Condensed Consolidated Statement of Comprehensive Income

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the six months ended 30 June 2010 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Revenue	(3)	**617,903**	524,764
Other operating income		**4,194**	17,413
Cost of sales for retailing business		**(276,355)**	(232,075)
Cost of sales and services for online game business		**(3,944)**	(6,192)
Salaries, allowances, commission and other related benefits		**(145,110)**	(147,441)
Other operating, administrative and selling expenses		**(177,325)**	(182,958)
Depreciation of property, plant and equipment		**(26,832)**	(25,831)
Finance costs		**(10,356)**	(8,675)
Fair value gain on financial assets at fair value through profit or loss		**15,559**	12,399
Fair value gain on investment property		**5,100**	—
Share of loss of associates		**3,086**	(412)
Profit/(Loss) before income tax		**5,920**	(49,008)
Income tax expense	(5)	**(500)**	(1,200)
Profit/(Loss) for the period		**5,420**	(50,208)
Other comprehensive income			
Exchange difference arising on translation of foreign operations		**168**	195
Other comprehensive income for the period, including reclassification adjustments and net of tax		**168**	195
Total comprehensive income for the period		**5,588**	(50,013)

	Note	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Profit/(Loss) for the period attributable to:			
Owners of the Company		**1,097**	(41,532)
Minority interests		**4,323**	(8,676)
		5,420	(50,208)
Total comprehensive income attributable to:			
Owners of the Company		**1,265**	(41,337)
Minority interests		**4,323**	(8,676)
		5,588	(50,013)
Dividend:			
Declared interim dividend of HK$0.02 per share based on 225,505,148 shares (2009: nil)		**4,510**	—
Earnings/(Loss) per share for the profit/(loss) attributable to the owners of the Company during the period	(6)		
— Basic (HK cents)		**0.5**	(23.0)
— Diluted (HK cents)		**0.5**	(21.0)

Condensed Consolidated Statement of Financial Position

	Note	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		170,826	179,018
Prepaid lease payments		14,511	15,133
Investment property		170,446	163,712
Goodwill		146,071	146,071
Interests in associates		120,018	116,931
Loan to an associate		10,296	10,296
Intangible assets		50,811	50,790
Other assets		12,158	11,040
Other deposits		20,387	21,555
Loan receivables		4,950	5,392
		720,474	719,938
Current assets			
Inventories		41,960	43,454
Account receivables	(7)	664,232	507,163
Loan receivables		22,310	15,711
Prepayments, deposits and other receivables		56,686	45,720
Tax recoverable		10,730	9,381
Financial assets at fair value through profit or loss		51,907	45,232
Embedded derivative of convertible notes		15,667	15,667
Bank deposits subject to conditions		94,339	87,739
Bank balances — trust and segregated accounts		811,777	765,112
Bank balances (general accounts) and cash		221,096	278,987
		1,990,704	1,814,166

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Current liabilities			
Account payables	(8)	1,200,427	1,159,544
Deferred revenue		449	923
Accrued liabilities and other payables		93,456	73,564
Obligations under finance leases			
— portion due within one year		139	135
Borrowings — amount due within one year		603,130	484,228
Loan from a minority shareholder		27,437	27,437
Taxation payables		5,101	6,365
		1,930,139	1,752,196
Net current assets		60,565	61,970
Total assets less current liabilities		781,039	781,908
Non-current liabilities			
Convertible notes		30,895	28,172
Obligations under finance leases			
— portion due after one year		110	180
Borrowings — amount due after one year		77,572	89,026
Deferred tax liabilities		17,291	17,134
		125,868	134,512
Net assets		655,171	647,396
EQUITY			
Share capital	(10)	20,551	20,551
Reserves		353,081	348,080
Equity attributable to the Company's owners		373,632	368,631
Minority interests		281,539	278,765
Total equity		655,171	647,396

Condensed Consolidated Statement of Cash Flows

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Net cash used in operating activities	**(152,671)**	(913,814)
Net cash generated from investing activities	**125,060**	50,641
Net cash (used in)/generated from financing activities	**(30,280)**	876,117
Net (decrease)/increase in cash and cash equivalents	**(57,891)**	12,944
Cash and cash equivalents at beginning of period	**278,987**	327,480
Cash and cash equivalents at end of period	**221,096**	340,424
Analysis of balances of cash and cash equivalents		
Bank balances (general accounts) and cash	**221,096**	340,424

Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2010

	Equity attributable to the Company's owners												
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Convertible loan note equity reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	(Accumulated losses)/ Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2010	20,551	364,575	138,926	1,160	20,286	12,314	4,571	3,923	15,564	(213,239)	368,631	278,765	647,396
Share-based compensation	—	—	—	—	—	—	—	3,736	—	—	3,736	(1,549)	2,187
Transactions with owners	—	—	—	—	—	—	—	3,736	—	—	3,736	(1,549)	2,187
Profit for the period	—	—	—	—	—	—	—	—	—	1,097	1,097	4,323	5,420
Other comprehensive income													
Exchange differences arising on translation of foreign operations	—	—	—	—	—	—	168	—	—	—	168	—	168
Total comprehensive income for the period	—	—	—	—	—	—	168	—	—	1,097	1,265	4,323	5,588
At 30 June 2010	20,551	364,575	138,926	1,160	20,286	12,314	4,739	7,659	15,564	(212,142)	373,632	281,539	655,171

		Unaudited six months ended 30 June 2009												
		Equity attributable to the Company's owners												
	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Convertible loan note equity reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2009		18,051	317,255	138,926	1,160	—	12,314	4,420	652	15,564	(249,947)	258,395	370,324	628,719
Issue of new shares due to rights issue by a subsidiary	(a)	—	—	—	—	—	—	—	—	—	—	—	47,458	47,458
Share-based compensation		—	—	—	—	—	—	—	565	—	—	565	—	565
Issue of convertible notes		—	—	—	—	8,033	—	—	—	—	—	8,033	—	8,033
Transactions with owners		—	—	—	—	8,033	—	—	565	—	—	8,598	47,458	56,056
Loss for the period		—	—	—	—	—	—	—	—	—	(41,532)	(41,532)	(8,676)	(50,208)
Other comprehensive income														
Exchange differences arising on translation of foreign operations		—	—	—	—	—	—	195	—	—	—	195	—	195
Total comprehensive income for the period		—	—	—	—	—	—	195	—	—	(41,532)	(41,337)	(8,676)	(50,013)
Amount transferred to accumulated losses as a result of expiration of share options		—	—	—	—	—	—	—	(652)	—	—	(652)	—	(652)
At 30 June 2009		18,051	317,255	138,926	1,160	8,033	12,314	4,615	565	15,564	(291,479)	225,004	409,106	634,110

Note:

(a) On 17 April 2009, 205,702,702 shares of CASH Financial Services Group Limited ("CFSG") of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.45 per share.

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 2009.

The Group has applied, for the first time, the new and amended standards and interpretations of HKFRSs which are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of such new and amended standards and interpretations does not have material impact on the consolidated interim financial information and does not result in substantial changes to the Group's accounting policies except the reclassification of prepaid lease payments.

HKAS 17 (Amendment), "Leases", requires leasehold land to be classified as a finance lease and stated at cost less accumulated depreciation if substantially all risks and rewards of the leasehold land have been transferred to the Group. As the present value of the minimum lease payments of the land held by the Group amounted to substantially all of the fair value of the land as if it were freehold, it has been classified as a finance lease. The amendment has been applied retrospectively to unexpired leases at the date of adoption of the amendment on the basis of information existing at the inception of the leases.

Effect of the adopting HKAS 17 (Amendment) on the consolidated statement of financial position and consolidated statement of comprehensive income are as follows:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Increase/(Decrease) in assets		
Property, plant and equipment	15,342	15,549
Prepaid lease payments	(15,342)	(15,549)

	Unaudited six months ended 30 June	
	2010 HK$'000	2009 HK$'000
Increase/(Decrease) in expenses		
Depreciation	207	—
Amortisation	(207)	—

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 24 (Revised)	Related party disclosure [3]
HKAS 32 (Amendment)	Classification of right issues [1]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosure for first-time adopters [2]
HKFRS 9	Financial instruments [4]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement [3]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument [2]

[1] *Effective for annual periods beginning on or after 1 February 2010.*
[2] *Effective for annual periods beginning on or after 1 July 2010.*
[3] *Effective for annual periods beginning on or after 1 January 2011.*
[4] *Effective for annual periods beginning on or after 1 January 2013.*

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 2010 HK$'000	2009 HK$'000
Fees and commission income	**124,823**	111,935
Online game subscription income and licensing income	**8,747**	18,892
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**484,333**	393,937
	617,903	524,764

(4) Business and geographical segments

Business segments

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

Principal activities are as follows:

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

2010	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
Reportable segment revenue				
From external customers	124,823	8,747	484,333	617,903
Reportable segment profit/(loss)	2,110	(5,884)	6,254	2,480
Share-based compensation				(740)
Fair value gain on financial assets at fair value through profit or loss				15,559
Fair value gain on investment property				5,100
Finance costs				(4,007)
Unallocated corporate expenses				(12,472)
Profit before income tax				5,920
Income tax expense				(500)
Profit for the period				5,420

2009	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000 (Restated)
Reportable segment revenue				
From external customers	111,935	18,892	393,937	524,764
Reportable segment (loss)/profit	(15,751)	(12,331)	498	(27,584)
Share-based compensation				(565)
Fair value gain on financial assets at fair value through profit or loss				12,399
Finance costs				(3,199)
Unallocated corporate expenses				(30,059)
Loss before income tax				(49,008)
Income tax expense				(1,200)
Loss for the period				(50,208)

Geographical segments

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

	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Hong Kong	**611,937**	510,152
PRC	**5,966**	14,612
	617,903	524,764

(5) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated profit for the periods. Tax on profits assessable elsewhere is calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current tax:		
— PRC	**—**	—
— Hong Kong	**500**	1,200
	500	1,200

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) Earnings/(Loss) per share

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company for the six months ended 30 June 2010 together with the comparative figures for the prior period are based on the following data:

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Profit/(Loss) for the purpose of basic and diluted earnings/(loss) per share	**1,097**	(41,532)

	Unaudited six months ended 30 June	
	2010	2009
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**205,505,148**	180,505,148
Effect of dilutive potential ordinary shares assumed conversion of convertible loan note	**19,970,487**	14,674,446
Effect of dilutive potential ordinary shares assumed exercise of share options	**4,846,696**	3,257,678
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**230,322,331**	198,437,272

(7) Account receivables

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Account receivables arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	**37,913**	27,842
Cash clients	**59,980**	68,060
Margin clients	**302,624**	272,209
Clients of subscription for initial public offerings ("IPOs")	**135,237**	—
Account receivables arising from the business of dealing in futures and options:		
Clients	**155**	180
Clearing houses, brokers and dealers	**124,812**	134,570
Commission receivables from brokerage of mutual funds and insurance-linked investment products	**706**	1,794
Account receivables arising from the business of provision of corporate finance services	**1,603**	650
Account receivables arising from the business of provision of online game services	**1,202**	1,858
	664,232	507,163

The settlement terms of account receivables arising from the business of dealing in securities 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. Trade receivables to margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. 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 broking business.

All the advances related to clients of subscription for initial public offerings were repaid by 7 July 2010.

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
0–30 days	**833**	2,483
31–60 days	**591**	910
61–90 days	**614**	141
Over 90 days	**1,473**	768
	3,511	4,302

Loans to margin clients are secured by clients' pledged securities at fair values of HK$1,164,957,000 (2009: HK$990,538,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans 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 receivables 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 2010 HK$'000	Balance at 30 June 2010 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2010 HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note 1)	—	—	28,892	22,187
Mr Ng Kung Chit Raymond and associates (Note 2)	—	12	175	—
Director of CFSG				
Mr Cheng Man Pan Ben and associates	61	99	1,707	613
Substantial shareholders of the Company				
Cash Guardian Limited	—	—	3,989	10,798
Mr Kwan Pak Hoo Bankee (also both a director of the Company and CFSG) and associates	—	—	26,150	—

Notes:

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

(2) Mr Ng Kung Chit Raymond was appointed as executive director of the Company on 11 December 2009.

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

(8) Account payables

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Account payables arising from the business of dealing in securities:		
Clearing house	**478,640**	30,076
Cash clients	**246,606**	548,749
Margin clients	**55,289**	210,329
Account payables to clients arising from the business of dealing in futures and options	**283,406**	228,823
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**1,076**	863
Account payables arising from the business of the online game services	**98**	320
Trade creditors arising from retailing business	**135,312**	140,384
	1,200,427	1,159,544

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Trade payables to the margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. 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.

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

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing costs. The average credit period taken for trade purchase is 30 to 90 days.

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

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
0–30 days	**58,098**	70,548
31–60 days	**44,603**	38,562
61–90 days	**26,815**	10,983
Over 90 days	**5,796**	20,291
	135,312	140,384

(9) Financial risk management and fair value measurements

The Group's major financial instruments include equity investments, embedded derivative of the convertible notes, bank balances and deposits, 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.

Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
— Investments held for trading	51,907	45,232
Embedded derivative of the convertible notes	15,667	15,667
Loans and receivables (including cash and cash equivalents)	1,850,092	1,685,495
	1,917,666	1,746,394
Financial liabilities		
Amortised cost	2,007,821	1,828,442

Market risk

Foreign currency risk

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

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 of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the reporting date.

The policies to manage foreign currency risk have been followed by the Group since prior periods and are considered to be effective.

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed-rate loan receivables and deposits with brokers. The Group currently does not have a fair value hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loan receivables, 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 basis point (2009: 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 reporting date were outstanding for the whole period. As at 30 June 2010, if the interest rate of borrowings, loan receivables, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's profit would increase/decrease by HK$5.6 million (2009: the Group's loss would increase/decrease by HK$3.9 million). This is mainly attributable to the bank interest expense under finance costs or interest income under revenue.

The policies to manage interest rate risk have been followed by the Group since prior periods are considered to be effective.

Equity price risk

Equity price risk related to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of change in market prices (other than changes interest rate and foreign exchange rate). 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 risk at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the reporting date were outstanding for the whole period. A 30 percent (2009: 30 percentage) 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.

As at 30 June 2010, if the market bid prices of the Group's listed equity investments had been 30 percent higher/lower, the Group's profit would increase/decrease by HK$15.6 million (2009: the Group's loss would decrease/increase by HK$13.6 million). This is mainly attributable to the changes in fair values of the listed investments held for trading.

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.

The policies to manage equity price risk have been followed by the Group since prior periods and are considered to be effective.

Credit risk

As at 30 June 2010, 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 reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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 reporting 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 does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers.

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

The credit policies have been followed by the Group since prior periods and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

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 customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

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

(10) Share capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each at 1 January 2010 and 30 June 2010	3,000,000	300,000
Issued and fully paid:		
Ordinary shares of HK$0.10 each at 1 January 2010 and 30 June 2010	205,505	20,551

(11) Contingent liabilities

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

(12) Related party transactions

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

	Notes	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000 (Restated)
Commission and interest income received from the following substantial shareholders of the Company	(a)		
Cash Guardian Limited		17	—
Mr Kwan Pak Hoo Bankee (also both a director of the Company and CFSG) and associates		11	21
		28	21
Commission and interest income received from the substantial shareholder of CFSG	(b)	1	13
Commission and interest income received from the following directors of the Company	(c)		
Mr Law Ping Wah Bernard (also both a director of the Company and CFSG) and associates		44	23
Mr Ng Kung Chit Raymond and associates	(d)	1	N/A
Mr Lin Che Chu George and associates	(e)	N/A	9
		45	32

	Notes	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000 (Restated)
Commission and interest income received from the following directors of CFSG	(f)		
Mr Cheng Man Pan Ben and associates		13	19
Mr Yuen Pak Lau Raymond and associates		6	7
		19	26
Loan interest income received from directors of the Company	(g)		
Mr Law Ping Wah Bernard (also both a director of the Company and CFSG) and associates		37	19
Mr Ng Kung Chit Raymond and associates	(d)	21	N/A
Mr Lin Che Chu George and associates	(e)	N/A	7
		58	26
Loan interest income received from directors of CFSG	(h)		
Mr Chan Chi Ming Benson and associates		37	19
Mr Cheng Man Pan Ben and associates		37	19
Mr Yuen Pak Lau Raymond and associates		37	19
		111	57

Notes:

(a) During the six months ended 30 June 2010, the Group received commission and interest income from margin financing of approximately HK$28,000 (2009: HK$21,000) from substantial shareholders of the Company.

(b) During the six months ended 30 June 2010, the Group received commission and interest income from margin financing of approximately HK$1,000 (2009: HK$13,000) from substantial shareholder of CFSG.

(c) During the six months ended 30 June 2010, the Group received commission and interest from margin financing of approximately HK$45,000 (2009: HK$32,000) from certain directors of the Company.

(d) Mr Ng Kung Chit Raymond was appointed as executive director of the Company during the year ended 31 December 2009.

(e) Mr Lin Che Chu George resigned as executive director of the Company during the year ended 31 December 2009.

(f) During the six months ended 30 June 2010, the Group received commission and interest from margin financing of approximately HK$19,000 (2009: HK$26,000) from certain directors of CFSG.

(g) During the six months ended 30 June 2010, the Group derived interest income from loans to certain directors of the Company of approximately HK$58,000 (2009: HK$26,000).

(h) During the six months ended 30 June 2010, the Group derived interest income from loans to certain directors of CFSG of approximately HK$111,000 (2009: HK$57,000).

(13) Post balance sheet event

On 5 August 2010, a total of 20,000,000 top up placing shares of HK$0.10 each were issued at a price of HK$2.50 each to Cash Guardian Limited.

Dividend

The Board is pleased to declare an interim dividend of HK$0.02 per ordinary share for the six months ended 30 June 2010 (2009: nil) to shareholders whose names appear on the register of members on 24 September 2010. The dividend cheques will be sent to shareholders on or before 28 September 2010.

Closure of Register of Members

The register of members of the Company will be closed from 22 September 2010 (Wednesday) to 24 September 2010 (Friday) (both days inclusive) during which no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:30 pm on 21 September 2010 (Tuesday).

Review and Prospects

Financial Review

Financial Performance

For the six months ended 30 June 2010, the Group recorded revenue of HK$617.9 million as compared to HK$524.8 million for the same period last year. The 17.7% growth in revenue for the current period under review had reflected the Group's financial services and retailing businesses had benefited from the economic recovery in the local market which had bottomed out from last year's financial crisis amid the current challenging environments and uncertainties arising out of the recent Europe's sovereign debt crisis. In the light of the improving economic prospect, the Group had resumed its prudent growth strategy for its businesses both in Hong Kong and on the mainland and had recorded a turnaround profit of HK$5.4 million for the six months ended 30 June 2010 as compared with a loss of HK$50.2 million of last corresponding period.

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

The robust recovery in the stock market in the second half of last year could no longer be sustainable in the first half of 2010. The local and global stock markets became to turn sluggish soon after the news relating to Europe's sovereign debit crisis first came to light. The public finances of the five European countries including Greece which had deteriorated badly in recent years led to their credit ratings lowered and triggered worries about another new credit crunch that might result from their huge debits not being met when falling due. While the worry that a double dip recession caused by this new round of financial crisis had badly hit the local stock market, it was further battered by the harsh austerity measures adopted by the Chinese government to rein in rising inflation and to slash sky-high property prices across the country. The drops in both liquidity and market turnover had reflected the investors' cautious reaction to China's several increases to banks' reserve requirement ratios since the beginning of the year. With these unfavourable factors and poor investment sentiment lingering on in the financial markets across the region, the trading volume of the local stock market in the first half of the year was less than 10% up from the same corresponding period last year, during which the financial services sector had come across the most difficult times in recent years after the financial crisis in late 2008. For the six months ended 30 June 2010, the Group's financial services group recorded revenue of HK$124.8 million, up 11.5% on the same period of the previous year. While the Group had seen some improvement in its brokerage business, it continued pursuing its growth strategy with an optimistic but prudent financial outlook as the mild increase in revenue had reflected investors' worries of a more protracted period of sluggish activity in the local stock market. During the period, the Group's financial services business recorded a turnaround profit of HK$2.1 million from the loss of HK$15.8 million for the same period last year.

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

The retail group ("Retail Group") which became a wholly-owned subsidiary of the CFSG Group in the second half of 2009 is principally engaged in the operation of the retail business in Hong Kong, including retailing of furniture and household items through the chain stores under the brand name of "Pricerite". The Retail Group had recorded revenue of HK$484.3 million, representing a 23.0% growth over the same period of 2009. Thanks to the quantitative easing monetary policies and economical stimulus measures adopted by the governments all over the world, the overall economic performance in Hong Kong had remained positive for the first half of the year amid the uncertainties in the external business environment including the recent financial turmoil in the euro zone countries having adversely affected the pace of the growth in exports business to the region. The improvement in the city's unemployment rate had kept the same pace with the economic recovery after reaching its recent peak of 5.4% in June 2009. To ride on the graduate improvement of the local economy and the resilience of the labour market, the Group started to expand its retail network by increasing the number of shops to 34 compared with 31 shops around the same time last year. The boom in the local property market recently had also in part accounted for the growth in the Retail Group's revenue, especially the sales of its great value-for-money furnishing products. The Retail Group's all-year-round purchase plan had made its time-to-market sales strategy fruitful for the first half of the year by having provided a full range of dehumidifying products to meet the demands of its customers who had been distressed by the unpleasantly rainy and damp weather during the spring of this year, which in turn had helped boost the sales of these products over the unexpectedly prolonged humid season. The Retail Group recorded a net profit of HK$6.3 million for the six months ended 30 June 2010 as a result of the substantial growth in revenue largely contributed by the aforesaid factors.

Online Game Business — Moli Group

For the six months ended 30 June 2010, Moli Group's revenue fell by 53.7% to HK$8.7 million. Facing the keen competition in the PRC online game industry but at the same time having already became one of leading online game developers and operators in this huge and fast growing market, Moli Group had pursued a sustainable growth strategy to enrich its portfolio of self-developed online games in a variety of styles to extend its player base in both PRC and overseas markets. During the first half of this year, Moli Group had dedicated most of its resources to developing two propriety online games which have been scheduled to be launched late this year or early next year. With its current short-term income being foregone in exchange for much greater long-term earnings in the coming years by developing more propriety online games, Moli Group had continued maintaining stringent cost controls over its operations to contain the loss for the period to HK$5.9 million as compared to the loss of HK$12.3 million for the same period last 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 take strict measures to combat the operations of illegal private servers to secure the stability of Moli Group's normal operations.

Liquidity and Financial Resources

The Group's total equity amounted to HK$655.2 million on 30 June 2010 as compared to HK$647.4 million at the end of last year. The minor net increase in equity was due to the recorded profit for the period.

As at 30 June 2010, the Group had total interest bearing borrowings of approximately HK$711.8 million, as compared to HK$601.7 million on 31 December 2009. The increase in borrowings was due to the short-term loans which were respectively drawn down to refinance the IPOs at the end of the period.

Among the above bank borrowings, HK$171.0 million were collateralised by its margin clients' securities pledged to the Group. Other borrowings totally of HK$288.4 million were secured by the leasehold and investment properties, securities and pledged deposits respectively. The remaining borrowings were unsecured.

As at 30 June 2010, our cash and bank balances including the trust and segregated accounts totalled HK$1,127.2 million as compared to HK$1,131.8 million at the end of the previous year.

The liquidity ratio on 30 June 2010 remained healthy at 1.0 time, the same as on 31 December 2009.

The gearing ratio, representing the ratio of interest bearing borrowings of the Group divided by the total equity, was 1.09 on 30 June 2010 as compared to 0.93 on 31 December 2009, which was kept at a conservatively low level after taking into account the short-term loans which were drawn down to refinance the IPOs at the end of the period.

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

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 2010, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$51.9 million and a net gain on listed investments and unlisted investment funds totally of HK$15.6 million was recorded for the period.

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

Industry and Economic Review

The Hong Kong economy continued to benefit from the vibrant Mainland growth in the first half of 2010, recording a robust 7.2% increase in real GDP during the period. Domestic consumption recorded a strong rebound accordingly, with private consumption expenditure growing 6.5% and total retail sales increasing by 17.9% in value.

On the other hand, stock markets had been hampered by the increased concerns over rising fiscal deficits and public debts in a few European economies. Average daily market turnover for the first half of 2010 was HK$63,833 million, a sheer increase of 9 per cent when compared with HK$58,314 million for the same period last year.

Financial Services — CFSG

Broking

The IPO activities were returning to pre-crisis levels. When we saw the recovery of the market, we reversed the conservative approach on margin loan to a more balanced level, which helped double the margin loan interest income of the same period of last year. As a result, the overall operating income from securities broking experienced a healthy increase for the period.

Wealth Management

During the period under review, total assets under management (AUM) for discretionary portfolios have increased significantly, thanks to the new strategy on business and service segmentation. Leveraging on the existing resources of the Group, the business unit set up satellite service kiosk in three Pricerite Store locations to promote its services and products.

Business wise, the unit continued to recover from the crisis in the first six months of 2010. The number of new business cases nearly doubled compared with the same period last year while the committed investment fund increased by only one third. This combination seemed to reflect the shrinking investable assets and the cautious attitude of investors at the post-crisis phase.

Asset Management

Moving in tandem with the overall market direction, the AUM of the asset management business was in line with the HSI performance during the period under review. With an effort to increase the assets under management, the division launched Thematic Investment Plan Service (TIPS) to attract different interest groups in the first quarter. These theme-based investment plans are discretionarily managed and designed to meet the knowledgeable investors' appetite with theme selections. Clients may choose from different themes such as PRC financial, PRC domestic demand, new energy and environmental protection concept etc. The benefit of the TIPS platform is for the knowledge investors to jointly participate in the investment selection process while leaving the final stock selections decision to professional portfolio managers. The TIPS product is structured in a way that is simple and appealing to cross-selling.

Investment Banking

During the period under review, the investment banking group maintained its strategy to focus on financial advisory and corporate transactions and took a proactive approach to placing and fund raising for existing and new clients. In light of the active IPOs and the secondary market activities locally, the corporate finance business will continue to seek fund raising and IPO opportunities to diversify its income portfolio.

China Development

One of the Group's key strategies in recent years is to focus on the positioning of our footing for business development in China. With that, the Group dedicated more resources to China in 2009 with a view to enhancing the driving force of the development. In so doing, the headquarters in Shanghai together with other offices in Beijing, Chongqing, Xiamen, and Shenzhen actively participated in investment seminars organized by the local operators and media to provide educational information on wealth management and investment. These joint events were effective in gaining market exposure and promoting our brand to prospective clients.

In addition to brand building and marketing for future development, the set up in China also functions as a back and support office. It has taken up a good part of the operational work for the Group, allowing the resources in Hong Kong to focus on client servicing and administrative tasks. The original cost savings of the project have now elevated to a need-based strategy as the Hong Kong market becomes more China focused and an increasing number of companies and market information are now drawn from the local sources. The local offices function more effectively in terms of data gathering and produce more market-based research.

The office in Shanghai has obtained agency licence to promote insurance and investment products in the region. This qualification has expanded our business scope and increased our marketing capability in the area.

In light of the introduction of index futures in China earlier this year, we formed a research centre with one of the well-known futures companies, Zhongcai Futures, to provide training and educational information to interested investors. This collaboration enhanced our brand awareness among the local sophisticated investing public. Our objective is to continue to build networks and connections in preparation for the eventual opening up of the market.

Other Development

In an effort to provide convenient and technologically advanced features to our platform users, we collaborated with SmarTone-Vodafone to launch the first and only mobile IPO application services in Hong Kong. Subscribers can apply for IPO by using their mobile phones and view stock prices, market commentary, and daily stock tips all at once.

To promote the newly launched CASH SNS, the world's first social networking website of its kind in the financial community, we did a series of simulated trading competitions in Hong Kong and Mainland which received overwhelming response from the investing community. The website includes a wide array of features such as financial news, entertainment and games, news and video sharing, meeting friends, celebrity blogs, etc. New investors may polish their trading skills on the simulated trading platform. All in all, it is a web space where investors meet friends that share the same interests and exchange stock tips and trading ideas. Both new features are evidences of our objective to become a service-innovative and client-focused financial services company.

The rapid advances in technology and proliferation of financial products in the stock markets in the recent years have made dramatic changes of investment and trading strategies. Investment cycle has been shortened from years, months, days, hours, minutes to seconds and even to milliseconds. Execution of buy/sell orders is virtually all electronic and has been becoming more algorithmic, which is supplementary, and becoming increasingly important, to the traditional fundamental analysis and the technical analysis. Profit or arbitrage opportunities are transient but ample which can only be grasped with sophisticated modelling and execution tools. Numerous orders to buy and sell stocks within seconds can be put through trading platforms to profit or arbitrage on small price differences. It is estimated that high frequency trading accounts for approximately 60 to 70 per cent or more of the trading volume in the US equities. Situations in Asia including Hong Kong are evolving in the similar direction. In view of the market changes and opportunities, the Group has recruited a team of high calibre professionals to do research and modelling in such areas. During the period, back testing has been completed and trading strategies have been successfully implemented and the results are satisfactory.

Outlook of CFSG

A low interest rate environment is expected to continue into the second half of 2010 given the fragile recovery in the West. The market will find reasons to sell if events such as a sudden hike in oil prices due to tension in the Middle East or premature tightening of fiscal policy before sustainable recovery in the private sector occurred.

The challenges are more complex in Asia. While dealing with a potential slowdown of export to the West, countries in the East also have to worry about inflation threat due to excess inflows and rapid monetary growth. After achieving its GDP growth of 11.9% in the first half of this year, China's growth will slow down in the second half given the tightening of policy in the property sector. Yet the aim to readjust its economic structure and increase domestic consumption and investment will help keep the GDP at about 10% for the year. In Hong Kong the GDP is expected to show a growth of 4.5% as the economy benefits from the robust growth in the Mainland, improved job market, and continued tourist inflows.

Corporate Strategy

The Group is generally cautiously optimistic about the economic outlook for the rest of 2010. An improved earnings outlook against a backdrop of low interest rates supports the recovery of the stock market. 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. That said, high government deficits, gradual withdrawal of monetary easing, and sovereign debts getting out of control are challenges and factors ahead that could affect the global and local market confidence.

After successfully executed the "Back on Track" strategy in the second half of 2009 to expand the market share in challenging times by taking a more aggressive business approach, the Group has allocated additional resources to strengthen brand awareness in preparation for the market recovery. The focus of the year is "profitability and growth". With the PRC market as our future expansion focus, we aim to equip our platform with multi-faceted and diversified capabilities in preparation for the eventual opening up of the financial markets in the Mainland. In the meantime, we will continue to cooperate with Mainland securities and brokerage firms for referral opportunities.

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.

Retail Management — CRMG

Pricerite

The retail sector continued to rebound strongly in the first half of 2010. Pricerite reported a significant increase in turnover compared to the same period last year. It also outperformed the retail sales growth of the general market (in value) under both retail outlet types of furniture and fixtures and department stores during the same period.

With the economic recovery, Pricerite saw an improvement in customer buying sentiment. Number of transactions and average ticket size, especially for durable items such as furniture and larger electrical appliances, made substantial advances. This was mainly due to the successful launch of new products and product revamps in these categories, and demand spurred by the release of deferred consumption as the economy strengthened.

As more customers have shifted their shopping preferences from budget buys to quality, Pricerite fine-tuned its product range by introducing furniture series with premium features, including full leather sofas and wood veneer furniture, and increasing the mix of top-tier brands for kitchen appliances, large electrical appliances and TVs.

To capture the growing sales momentum, Pricerite opened four stores in the first half of 2010: in Prince Edward, Tuen Mun West, Kennedy Town and Tin Shui Wai. In August, two regional flagship stores in Sau Mau Ping Shopping Centre and Kowloon Bay MegaBox were established. We are also working on two more regional flagships in Lok Fu Plaza and Nina Tower in Tsuen Wan.

A brand rejuvenation campaign was launched during the period under review, following the unveiling of the new Pricerite logo at the end of last year. The promotion highlighted the new shopping experience at Pricerite, including double certification of bunk beds, a revamp of all stores to create a cosy shopping environment, and further strengthening and expansion of our tailor-made furniture and personalised customer services.

Pricerite's commitment to the environment and sustainability was recognised when the company received a silver award in the Sectoral Awards of the 2009 Hong Kong Awards for Environmental Excellence (HKAEE). This was the highest accolade granted in the retail sector in 2009 as no gold award was given. HKAEE is one of the most prestigious environmental award schemes in Hong Kong. The honour acknowledged Pricerite's efforts to preserve the environment at the same time as offering leading value-for-money products.

Outlook of CRMG

The CRMG Group has long believed that the strong economic growth, market size and rising domestic consumption in China create abundant growth potential for our retail business. Initial efforts will be focused on market development in the Greater Pearl River Delta region and we are currently evaluating several retail sites in Guangzhou with a view to establishing our market presence. We also plan to extend our furniture delivery service to Macau, where families are accustomed to ordering furniture items from outside the city.

Entertainment Portal — MOLI Group

The Moli Group has built a solid foundation in the online game industry in China. Based on our competitiveness edges, we have a very optimistic outlook of the future business development. Moli possesses the infrastructure, technological capabilities and management structure to extend our business from the online game sector into the mobile phone games and value-added services. We are building a business model to capture the rapidly growing opportunities that emerge in the online game and mobile services sectors driven by the explosive market growth in 3G mobile services and positive government policies to promote the convergence of the Internet and mobile sectors.

Moli's business strategy is based on the strength in our research and development capabilities. We have developed superior R&D capabilities to enhance our product development and produce games incorporating localized features for the gamers with different demographics. Our proprietary game engine enables us to generate high-quality graphics to realize our innovative ideas of story line. Besides, our robust R&D team comprises over 120 talented gaming developers in game design, programming and artwork production to help propel the Group forward with steady production and updates of online games.

We have developed a multi-channel, nationwide sales and distribution system to sell and distribute our prepaid game cards. We have established 6 representative offices in China while maintaining good relationships with provincial distributors across China to extend our geographical reach. Besides, our operating platform currently has over 50 million registered users, in which more than 200,000 active subscribers. Our game platform www.moliyo.com has over 10 million page views per month.

To maintain a reliable and smooth game environment for building up gamers' loyalty, we maintain a powerful and around-the-clock monitoring platform to guarantee the proper functioning of our gaming platform. We also implement a centralized customer services in 24/7 basis to provide real-time assistance to our customers.

We have successfully built up a comprehensive overseas game publishing platform. Its globally-recognized in-house massively multiplayer online role-playing game (MMORPG), King of Pirates Online, is one of the most popular MMORPGs in the North America region and Russia, and had been ranked No. 1 Chinese developed MMORPG in Taiwan. King of Pirates Online has been launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand, North America and Russia, earning high acclaims in different overseas online gaming markets.

Looking ahead, we see immense business opportunities in the emerging mobile game and related mobile value added services sector. Because of the significant enhancement in the transmission rate, the 3G smartphone will be able to handle rich content and support a wide variety of user activities, including complex and interactive mobile games that are available only to broadband Internet users. Moli will continue to leverage on our superior research and development capabilities, our efficient and scalable operating platform and our international publishing network to expand strategically through mergers and acquisitions into the mobile game and related businesses. Our goal is to build a powerhouse in mobile game and value-added services.

Business Review

During the period under review, the Group has reviewed and revised our management structure, enriched our product pipeline, rationalised the operational cost structure and refined our business focus. We decided to dedicate more resources in the proprietary game development projects.

During the middle of the fiscal year, the Group arranged small-scaled user test for the updated patch of "Radiant Arcana Online", namely "Runes of Magic", and commenced commercial launch by the end of the same year. Our financial results were adversely impacted by the cancellation of several "Lottery" and 'Treasure Box' monetization features of our existing games to comply with the regulatory requirements. We have launched several operational and promotional recovery measures to mitigate the loss of revenue due to the decrease of paying ratio and paying amount of our players. We also executed strict measures in the advertising and promotional activities and general cost control to raise the operational effectiveness of the Group.

Besides, we launched closed-beta testing for "Wulin Adventure", a 3D cute-style MMORPG during the period under review. We also focused on our research and development capabilities to implement regular maintenance, and provide continuous updated contents for our games operating in local and overseas regions.

We completed the launch of Indonesian version of "King of Pirates Online" during the period under review. Targeting on the players and operational requirements for different geographical segments, we also launched several expansion packs and patch updates for the operations in Hong Kong, Taiwan and Southeast Asia regions. All these measures have gained positive reception by our global operations partners and players.

Business Outlook

The Group sees immense business opportunities in the online game and mobile game markets. We believe that Moli is in an advantageous position to capitalise our strengths to tap into the two sectors and build a powerhouse in online and mobile game industry.

Online game business

Moli expects the growth momentum of PRC online gaming industry to continue. Given the positive perception of players towards local gaming contents and the regulatory metrics, the product strategy of the Group is to focus on proprietary gaming development or licensed games developed by local teams. We decide to launch 2–3 online games with different styles in the coming year. We will continue to seek and explore opportunities on local partnerships to extend our player base.

To realise the sustainable growth of the Group, we dedicate to improve our capabilities and effectiveness in the maintenance of our technical platform. We also strive at promoting our operational capabilities and extending our promotional and sales network. We believe all these improvements will lay a solid foundation for further supplement of game pipelines and content updates of existing games. We will also continue to work closely with law enforcement units to combat the operation of pirate servers and hacking behaviour. We will adopt strict defensive measures to mitigate the internet security risks of our players to guarantee our provision of excellent online gaming experiences to players.

We will continue to dedicate more resources on long-term online gaming development projects. We plan to further recruit high-calibre game developers and designers. Given on our competitive edge of our proprietary game engine, we will continue to build and develop more high-quality online game titles. We believe this strategy would demonstrate to be effective in expansion of game pipeline and extension of life cycle of existing games.

Leveraging on our solid and powerful gaming development capabilities, we continue to dedicate resources of our proprietary development of online games. Currently, we have a strong pipeline of MMORPGs in the development stage, namely "Tales of the Ocean Fantasy Online" (海之夢) and "JTDD 2" (驚天動地2), which are expected to launch in coming quarters.

Moreover, as for the overseas business development, we will actively drive the licensing operations of the "King of Pirates Online" via synchronization of game patches in different regions and release of expansion packs. We will continue to strengthen our efforts in research and development, especially in content management and operational support, in order to fulfill the tastes and requirements of players in different regions. Given the coming release of our proprietary online game and the exciting growth of global online gaming market, we continue to expand our overseas licensing network and global player base through publishing more game titles to more countries and regions.

Mobile game and value-added services

Mobile game and related entertainment business will benefit from the rapid development of 3G technology and the rise of smartphones. We believe that mobile applications, including mobile games and value added services, will experience explosive growth in the next few years and create enormous business opportunities and potentials. Therefore, to capture the emerging opportunities, we have determined to expand our current online game business into this fast growing mobile application industry to become a powerful Digital Entertainment Powerhouse as our future direction. Based on the foundations built on our online business, Moli will aggressively pursue opportunities in the emerging mobile market.

As present, Moli has established a solid foundation in terms of technological knowhow, operating platform and business experience and connection. We will continue to extend our excellence in the online game business and build upon our research and development skill sets to offer leading MMORPGs that are well received by the market, while using our business edges and necessary technology to tap into the emerging mobile applications business. Besides, the online game business will also generate strong cash flows to support our acquisitions and investments in the mobile sector.

Expansion through mergers and acquisitions

The mobile entertaining market will experience enormous growth and bring tremendous business opportunities. Supported by our business edges, strong cash flow in our online game business and our listing status of CASH, we will enter in this emerging market by acquiring the majority stake of the targeted mobile entertaining application providers, especially mobile game companies, with leading technology, solid management, and proven business model with strong cashflows. We will add to the value of our subsidiary through the cross-fertilization of technology and product offering and become a leader in the new mobile entertainment industry.

Employee Information

At 30 June 2010, the Group had 1,555 employees, of which 1,189 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$107.3 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, team building, communication, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

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

Directors' Interests in Securities

As at 30 June 2010, 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 of HK$0.10 each

		Number of shares			
Name	Capacity	Personal	Family interest	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	—	70,216,512*	34.17
Law Ping Wah Bernard	Beneficial owner	6,784,060	—	—	3.30
Ng Kung Chit Raymond	Beneficial owner and family interest	48,300	28,800	—	0.04
		6,832,360	28,800	70,216,512	37.51

* 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

(i) Options under share option schemes

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2010	granted on 3 June 2010 (Notes (2) & (3))	outstanding as at 30 June 2010	Percentage to issued shares as at 30 June 2010 (%)
Kwan Pak Hoo Bankee	13/3/2009	13/3/2009–31/3/2011	1.130	(1)	1,800,000	—	1,800,000	0.88
	3/6/2010	3/6/2010–31/5/2012	2.000	(1)	—	2,000,000	2,000,000	0.97
Law Ping Wah Bernard	13/3/2009	13/3/2009–31/3/2011	1.130		1,800,000	—	1,800,000	0.88
	3/6/2010	3/6/2010–31/5/2012	2.000		—	2,000,000	2,000,000	0.97
Ng Kung Chit Raymond	13/3/2009	13/3/2009–31/3/2011	1.130		1,000,000	—	1,000,000	0.49
	3/6/2010	3/6/2010–31/5/2012	2.000		—	1,000,000	1,000,000	0.49
					4,600,000	5,000,000	9,600,000	4.68

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 3 June 2010 was HK$1.590.

(3) The fair value of the options granted by the Company to the directors during the period totalled approximately HK$229,800. The assumptions in arriving the fair value of the options are disclosed in the relevant notes to the section under the heading of "Share option schemes" below.

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

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

(ii) Convertible note

Name	Date of convertible note	Conversion period	Conversion price per share (HK$)	Number of underlying shares	Percentage to issued shares as at 30 June 2010 (%)
Kwan Pak Hoo Bankee	17/2/2009	17/8/2009–31/12/2011	1.00	43,243,000	21.04

Note: The convertible note in the principal amount of HK$43,243,000 was held by Cash Guardian. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial shareholders" below.

B. Associated corporations (within the meaning of SFO)

(i) CFSG

(a) Long positions in the ordinary shares of HK$0.10 each

Name	Capacity	Number of shares: Personal	Family interest	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	8,168,000	—	315,121,198*	52.39
Law Ping Wah Bernard	Beneficial owner	13,771,120	—	—	2.23
Ng Kung Chit Raymond	Beneficial owner and family interest	3,014,000	18,000	—	0.49
		24,953,120	18,000	315,121,198	55.11

* The shares were held as to 298,156,558 shares by Celestial Investment Group Limited, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 16,964,640 shares by Cash Guardian. Pursuant to the SFO, the Company owned as to approximately 34.17% by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Mr Kwan Pak Hoo Bankee was deemed to be interested in all these shares as a result of their interests in the Company through Cash Guardian as disclosed in the "Substantial shareholders" below.

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

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2010	outstanding as at 30 June 2010	Percentage to issued shares as at 30 June 2010 (%)
Kwan Pak Hoo Bankee	15/06/2009	15/06/2009–30/06/2013	0.734	(1) & (2)	5,000,000	5,000,000	0.81
Law Ping Wah Bernard	15/06/2009	15/06/2009–30/06/2013	0.734	(2)	5,000,000	5,000,000	0.81
					10,000,000	10,000,000	1.62

Notes:

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

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

Save as disclosed above, as at 30 June 2010, none of the directors, chief executive or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Schemes

The Company

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 2010 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2010	granted during the period (Notes (2) & (4))	outstanding as at 30 June 2010
Directors						
13/3/2009	13/3/2009–31/3/2011	1.130	(1)	4,600,000	—	4,600,000
3/6/2010	3/6/2010–31/5/2012	2.000	(1)	—	5,000,000	5,000,000
				4,600,000	5,000,000	9,600,000
Employees						
13/3/2009	13/3/2009–31/3/2011	1.130		10,900,000	—	10,900,000
1/6/2010	1/6/2010–31/5/2012	1.608		—	4,110,000	4,110,000
3/6/2010	3/6/2010–31/5/2012	2.000		—	8,000,000	8,000,000
				10,900,000	12,110,000	23,010,000
				15,500,000	17,110,000	32,610,000

Notes:

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

(2) The closing prices of the share immediately before the date of grant of options on 1 June 2010 and 3 June 2010 was HK$1.580 and HK$1.590 respectively.

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

(4) During the six months ended 30 June 2010, none of the share options granted on 1 June 2010 and 3 June 2010 was vested. The estimated fair values of the share options granted on these dates are approximately HK$142,288 and HK$597,480 respectively.

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

	Share options grant date 1 June 2010	Share options grant date 3 June 2010
Weighted average share price	HK$1.748	HK$1.750
Exercise price	HK$1.608	HK$2.000
Expected volatility	40.31%	40.22%
Expected life	2 years	2 years
Risk-free rate	0.70%	0.70%
Expected dividend yield	Nil	Nil

The subsidiaries

(i) *CFSG*

Details of share options to subscribe for shares in CFSG granted to participants under the share option scheme of CFSG during the six months ended 30 June 2010 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2010	granted during the period (Notes (7) & (8))	outstanding as at 30 June 2010
Directors						
15/6/2009	15/6/2009–30/6/2013	0.734	(1)&(2)	10,000,000	—	10,000,000
Employees and consultants						
7/7/2006	7/7/2006–31/7/2010	1.180	(3)	124,000	—	124,000
15/6/2009	15/6/2009–30/6/2013	0.734	(2)	15,000,000	—	15,000,000
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)	15,000,000	—	15,000,000
1/6/2010	1/6/2010–31/5/2012	0.610	(6)	—	12,342,000	12,342,000
3/6/2010	3/6/2010–31/5/2012	0.630		—	12,500,000	12,500,000
				39,124,000	24,842,000	63,966,000
				49,124,000	24,842,000	73,966,000

Notes:

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

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

(3) 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 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 of directors of CFSG.

(6) The exercise of options were subject to fulfilment of consultant's duties and provision of any solid contribution to members of the Group as determined at the sole discretion of the board of directors of CFSG.

(7) The closing prices of CFSG's share immediately before the date of grant of options on 1 June 2010 and 3 June 2010 was HK$0.620 and HK$0.600 respectively.

(8) During the six months ended 30 June 2010, none of the share options granted on 1 June 2010 and 3 June 2010 was vested. The estimated fair values of the share options granted on these dates are approximately HK$2,266,000 and HK$2,519,000 respectively.

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

	Share options grant date 1 June 2010	Share options grant date 3 June 2010
Weighted average share price	HK$0.620	HK$0.600
Exercise price	HK$0.610	HK$0.630
Expected volatility	53.75%	53.38%
Expected life	2 years	2 years
Risk-free rate	0.69%	0.70%
Expected dividend yield	Nil	Nil

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

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

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

Substantial Shareholders

As at 30 June 2010, 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 as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Note)	Interest in a controlled corporation	70,216,512	34.17
Cash Guardian (Note)	Interest in a controlled corporation	70,216,512	34.17

Note: This refers to the same number of shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan Pak Hoo Bankee (a director whose interests are not shown in the above table) and Hobart Assets Limited 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 2010, 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 as recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance

During the accounting period from 1 January 2010 to 30 June 2010, the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules with except for the deviations summarised as follows:

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

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2010.

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 2010 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2010, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P Kwan
Chairman & CEO

Hong Kong, 31 August 2010

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

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Law Ping Wah Bernard
Mr Ng Kung Chit Raymond

Independent non-executive directors:

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