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

Interim Results 2010

Thrive on human talent and technology

CASH Financial Services Group Limited

(Stock Code: 510)

FSC
Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
Cert no. SGS-COC-004089
www.fsc.org

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 CASH Financial Services Group Limited ("Company" or "CFSG") 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:

		Unaudited six months ended 30 June	
		2010	2009
	Notes	HK$'000	HK$'000
Revenue	(3)	609,156	114,590
Other operating income		2,801	2,148
Cost of sales for retailing business		(276,355)	—
Salaries, commission and related benefits		(135,702)	(70,856)
Depreciation		(22,536)	(13,132)
Finance costs		(7,722)	(4,791)
Other operating and administrative expenses		(183,284)	(54,511)
Fair value gain on financial assets at fair value through profit or loss		19,420	11,877
Share of results of associates		3,087	(412)
Profit/(Loss) before income tax		8,865	(15,087)
Income tax expense	(5)	(500)	(1,200)
Profit/(Loss) for the period		8,365	(16,287)
Other comprehensive income, including reclassification adjustments			
Exchange difference arising on translation of foreign operations		93	195
Other comprehensive income for the period, including reclassification adjustments and net of tax		93	195
Total comprehensive income for the period		8,458	(16,092)

	Note	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Profit/(Loss) for the period attributable to:			
Owners of the Company		7,285	(15,751)
Minority interests		1,080	(536)
		8,365	(16,287)
Total comprehensive income attributable to:			
Owners of the Company		7,378	(15,751)
Minority interests		1,080	(536)
		8,458	(16,287)
Dividend:			
Declared interim dividend of HK$0.02 per share based on 617,108,107 shares (2009: nil)		12,342	—
Earnings/(Loss) per share for profit/(loss) attributable to the owners of the Company during the period	(6)		
— Basic (HK cents)		1.2	(3.2)
— Diluted (HK cents)		1.2	N/A

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	(7)	169,166	174,609
Investment properties		88,612	87,561
Goodwill		2,661	2,661
Other intangible assets		321,059	321,059
Other assets		12,158	11,040
Other long-term deposits		20,387	21,555
Loans receivable	(9)	4,950	4,950
Interests in associates		120,018	116,931
Loan to an associate		10,296	10,296
Deferred tax assets		2,000	2,000
		751,307	752,662
Current assets			
Inventories		41,953	43,454
Accounts receivable	(8)	663,030	505,305
Loans receivable	(9)	22,310	15,663
Prepayments, deposits and other receivables		48,205	34,003
Amounts due from fellow subsidiaries		897	—
Investments held for trading		36,267	37,214
Tax recoverable		10,730	9,381
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		204,811	253,243
		1,934,319	1,751,114

	Notes	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Current liabilities			
Accounts payable	(10)	1,200,329	1,157,955
Accrued liabilities and other payables		55,257	58,976
Amounts due to fellow subsidiaries		—	800
Obligations under finance leases — portion due within one year		139	135
Bank borrowings — amount due within one year		511,030	367,033
Loan from a minority shareholder		27,437	27,437
Current tax liabilities		5,073	6,337
		1,799,265	1,618,673
Net current assets		135,054	132,441
Total assets less current liabilities		886,361	885,103
Non-current liabilities			
Bank borrowings — amount due after one year		44,650	55,377
Deferred tax liabilities		59,730	59,730
Obligations under finance leases — portion due after one year		110	180
		104,490	115,287
Net assets		781,871	769,816
EQUITY			
Share capital	(12)	61,711	61,711
Reserves		701,328	690,353
Equity attributable to the Company's owners		763,039	752,064
Minority interests		18,832	17,752
Total equity		781,871	769,816

Condensed Consolidated Statement of Cash Flows

	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Net cash used in operating activities	(156,040)	(525,638)
Net cash generated from/(used in) investing activities	133,204	(2,697)
Net cash (used in)/generated from financing activities	(25,596)	605,077
Net (decrease)/increase in cash and cash equivalents	(48,432)	76,742
Cash and cash equivalents at beginning of period	253,243	175,201
Cash and cash equivalents at end of period	204,811	251,943
Bank balances (general accounts) and cash	204,811	251,943

Consolidated Statement of Changes in Equity

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Revaluation reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
	Unaudited six months ended 30 June 2010									
	Equity attributable to the Company's owners									
Balance at 1 January 2010	61,711	381,045	276,788	7,072	—	5,343	20,105	752,064	17,752	769,816
Revaluation of a property	—	—	—	—	600	—	—	600	—	600
Share-based payment vested	—	—	—	2,997	—	—	—	2,997	—	2,997
Transactions with owners	—	—	—	2,997	600	—	—	3,597	—	3,597
Profit for the period	—	—	—	—	—	—	7,285	7,285	1,080	8,365
Other comprehensive income										
Exchange differences arising on translation of foreign operations	—	—	—	—	—	93	—	93	—	93
Total comprehensive income for the period	—	—	—	—	—	93	7,285	7,378	1,080	8,458
Balance at 30 June 2010	61,711	381,045	276,788	10,069	600	5,436	27,390	763,039	18,832	781,871

	Note	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
		Unaudited six months ended 30 June 2009								
		Equity attributable to the Company's owners								
Balance at 1 January 2009		41,140	309,851	276,788	—	5,360	56,154	689,293	16,762	706,055
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)
Transactions with owners		20,570	71,252	—	—	—	—	91,822	(1,007)	90,815
Loss for the period		—	—	—	—	—	(15,751)	(15,751)	(536)	(16,287)
Other comprehensive income										
Exchange differences arising on translation of foreign operations		—	—	—	—	195	—	195	—	195
Total comprehensive income for the period		—	—	—	—	195	(15,751)	(15,556)	(536)	(16,092)
Balance at 30 June 2009		61,710	381,103	276,788	—	5,555	40,403	765,559	15,219	780,778

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.

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 Standards ("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

Revenue from the Group's principal activities recognised during the period is as follow:

	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Fees and commission income	**111,098**	104,823
Interest income	**13,725**	9,767
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**484,333**	—
	609,156	114,590

(4) Segment information

The Group is principally engaged in the following activities:

— provision of online and traditional brokerage of securities, futures, options and leverage foreign exchange contracts as well as mutual funds and insurance-linked investment products;

— provision of margin financing and money lending services;

— provision of corporate finance services; and

— sales of furniture and household goods and electrical appliances (since the completion of acquisition of Hong Kong retail business in July 2009).

The executive directors have identified the Group's two services lines as operating segments.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

2010	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Reportable segment revenue			
From external customers	124,823	484,333	609,156
Reportable segment profit	1,979	6,254	8,233
Share-based compensation			(2,996)
Share of profit of an associate			3,086
Fair value gains on financial assets at fair value through profit or loss			19,404
Unallocated corporate expenses			(18,862)
Profit before income tax			8,865
Income tax expense			(500)
Profit for the period			8,365

2009	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Reportable segment revenue			
From external customers	114,590	—	114,590
Reportable segment loss	(4,680)	—	(4,680)
Share of loss of an associate			(412)
Fair value gains on financial assets at fair value through profit or loss			11,817
Unallocated corporate expenses			(21,812)
Loss before income tax			(15,087)
Income tax expense			(1,200)
Loss for the period			(16,287)

The Group operations are located in Hong Kong and the People's Republic of China and 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 as all the revenue of the Group's activities are derived in Hong Kong.

(5) Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable 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, if applicable.

	Unaudited six months ended 30 June	
	2010	2009
	HK$'000	HK$'000
Current tax:		
— Hong Kong	**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	**7,285**	(15,751)

	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	617,108,107	499,050,667
Effect of dilutive potential ordinary shares assumed exercise of share options	6,046,536	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	623,154,643	499,050,667

Diluted loss per share for the period ended 30 June 2009 was not presented because the exercise of the Company's share options were anti-dilutive.

(7) Property, plant and equipment

During the period, the Group spent approximately HK$16,828,000 (2009: HK$5,734,000) on the acquisitions of property, plant and equipment.

(8) Accounts receivable

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Accounts receivable 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	—
Accounts receivable arising from the business of dealing in futures and options:		
Clients	155	180
Clearing houses, brokers and dealers	124,812	134,570
Commission receivable from brokerage of mutual funds and insurance-linked investment products	706	1,794
Accounts receivable arising from the business of provision of corporate finance services	1,603	650
	663,030	505,305

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. 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 for the above-mentioned balances 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 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 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
0–30 days	565	1,362
31–60 days	191	353
61–90 days	80	141
Over 90 days	1,473	588
	2,309	2,444

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 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 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 both the Company and Celestial Asia Securities Holdings Limited ("CASH")				
Mr Law Ping Wah Bernard and associates (Note)	—	—	28,892	22,187
Director of the Company				
Mr Cheng Man Pan Ben and associates	61	99	1,707	613
Subsidiary of CASH				
Libra Capital Management (HK) Limited	—	3,392	27,232	15,640
Substantial shareholders of CASH				
Cash Guardian Limited	—	—	3,989	10,798
Mr Kwan Pak Hoo Bankee (also a director of both the Company and CASH) and associates	—	—	26,150	—

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

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

(9) Loans receivable

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Loans receivable denominated in Hong Kong dollar	30,857	24,210
Less: Allowance for bad and doubtful debts	(3,597)	(3,597)
	27,260	20,613
Carrying amount analysed for reporting purposes:		
Current assets	22,310	15,663
Non-current assets	4,950	4,950
	27,260	20,613

(10) Accounts payable

	30 June 2010 (Unaudited) HK$'000	31 December 2009 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	478,640	30,076
Cash clients	246,606	548,749
Margin clients	55,289	212,654
Accounts payable to clients arising from the business of dealing in futures and options	283,406	228,823
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	1,076	863
Trade creditors arising from retailing business	135,312	136,790
	1,200,329	1,157,955

The settlement terms of accounts payable 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. 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 excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

No aged analysis for the above-mentioned balance 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 retailing business at reporting 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**	16,697
	135,312	136,790

(11) Financial risk management and fair value measurements

The Group's major financial instruments include equity investments, loans receivable, 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.

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	36,267	37,214
Loans and receivables (including cash and cash equivalents)	1,902,568	1,649,662
	1,938,835	1,686,876
Financial liabilities		
Financial liabilities measured at amortised cost	1,838,951	1,637,889

Market risk

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 arises.

More than 90% 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 reporting date.

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 (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 bank borrowings, loans receivable, loans to margin clients and bank balances had been 100 basis point higher/lower, the Group's profit would decrease/increase by HK$5,196,000 (2009: HK$3,260,000). This is mainly attributable to the bank interest expenses under finance costs or interest income under revenue.

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. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments.

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 reporting date were outstanding for the whole period. A 30 percent (2009: 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.

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 result would increase/decrease by HK$10.7 million (2009: HK$10.5 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.

Credit risk

As at 30 June 2010, 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 statement of financial position.

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 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.

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.

(12) 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	617,108	61,711

(13) 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
Commission and interest income received from a wholly-owned subsidiary of CASH	(a)		
Libra Capital Management (HK) Limited		**591**	686
Commission and interest income received from the following substantial shareholders of CASH	(b)		
Cash Guardian Limited		**17**	—
Mr Kwan Pak Hoo Bankee (also a director of both the Company and CASH) and associates		**11**	21
		28	21
Commission and interest income received from substantial shareholder of the Company	(c)	**1**	13
Commission and interest income received from the following directors of the Company	(d)		
Mr Law Ping Wah Bernard (also a director of CASH) and associates		**44**	23
Mr Cheng Man Pan Ben and associates		**13**	19
Mr Yuen Pak Lau Raymond and associates		**6**	7
		63	49

	Notes	Unaudited six months ended 30 June 2010 HK$'000	2009 HK$'000
Commission and interest income received from the following directors of CASH	(e)		
Mr Ng Kung Chit Raymond and associates		**1**	—
Mr Lin Che Chu George and associates		**—**	9
		1	9
Interest income received from CASH for the amounts receivable on disposal of subsidiaries	(f)	**—**	2,387
Loan interest income received from the following directors of the Company	(g)		
Mr Chan Chi Ming Benson and associates		**37**	19
Mr Law Ping Wah Bernard and associates		**37**	19
Mr Cheng Man Pan Ben and associates		**37**	19
Mr Yuen Pak Lau Raymond and associates		**37**	19
		148	76
Loan interest income received from the following directors of CASH	(h)		
Mr Ng Kung Chit Raymond and associates		**18**	14
Mr Lin Che Chu George and associates		**—**	7
		18	21

Notes:

(a) During the six months ended 30 June 2010, the Group received commission and interest from margin financing of approximately HK$591,000 (2009: HK$686,000) from Libra Capital Management (HK) Limited, a wholly-owned subsidiary of CASH.

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

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

(d) During the six months ended 30 June 2010, the Group received commission and interest from margin financing of approximately HK$63,000 (2009: HK$49,000) from certain directors of the Company.

(e) During the six months ended 30 June 2010, the Group received commission and interest from margin financing of approximately HK$1,000 from Mr Ng Kung Chit Raymond. Mr Ng was appointed as a director of CASH with effect from 11 December 2009.

During the six months ended 30 June 2009, the Group received commission and interest from margin financing of approximately HK$9,000 from Mr Lin Che Chu George. Mr Lin resigned as a director of CASH with effect from 17 September 2009.

(f) During the six months ended 30 June 2009, the Group received interest income of HK$2,387,000 from CASH for the amounts receivable on disposal of subsidiaries. The interest was calculated at Hong Kong Prime Rate.

(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$148,000 (2009: HK$76,000).

(h) During the six months ended 30 June 2010, the Group derived interest income of approximately HK$18,000 from certain directors of CASH (2009: HK$21,000). Mr Lin Che Chu resigned as a director of CASH with effect from 17 September 2009.

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 17 September 2010. The dividend cheques will be sent to shareholders on or before 21 September 2010.

Closure of Register of Members

The register of members of the Company will be closed from 15 September 2010 (Wednesday) to 17 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 14 September 2010 (Tuesday).

Review and Outlook

Financial Review

For the six months ended 30 June 2010, the Group recorded revenue of HK$609.2 million as compared to HK$114.6 million for the same corresponding period last year. The substantial increase in revenue was due to the consolidation of revenue of the retail business in Hong Kong ("Retail Group") which was acquired in the second half of 2009. Overall, the Group recorded a net profit of HK$8.4 million for the six months ended 30 June 2010 compared with a net loss of HK$16.3 million for the same period last year.

Financial Services — 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 9% 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 group recorded a turnaround profit of HK$2.0 million from the loss of HK$4.7 million for the same period last year.

Retail Management — Retail Group

The Retail Group which became a wholly-owned subsidiary of the 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% 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 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 product 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.

Liquidity and Financial Resources

The Group's total equity amounted to HK$781.9 million on 30 June 2010 as compared to HK$769.8 million at the end of the previous year. The change was the result of the increase in retained earnings due to the reported profit for the period under review.

As at 30 June 2010, the Group had total bank borrowings of approximately HK$555.7 million, comprising bank loans of HK$427.8 million and overdrafts of HK$127.9 million.

Among the above bank borrowings, HK$171.0 million was collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$154.0 million were secured by the investment properties, property in Hong Kong and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 30 June 2010, the Group's cash and bank balances including the trust and segregated accounts totalled HK$1,110.9 million, being kept at a similar level to HK$1,106.1 million at the end of the previous year.

Total deposits of HK$77.2 million were pledged as securities for a standby letter of credit facility, bank guarantees granted by banks to the Group and other bank borrowings. 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 2010 remained healthy at 1.1 times, the same as on 31 December 2009. The gearing ratio on 30 June 2010, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 71.1% from 54.9% at the end of last year as a result of the inclusion of bank borrowings of HK$125 million in relation to IPO loan re-financing which had been fully repaid by 7 July 2010. 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 mismatches.

Material Acquisitions and Disposals

The Group did not make any material acquisitions or disposals during the period.

Capital Commitment

As at 30 June 2010, the Group does not have any material outstanding capital commitment.

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$36.3 million and net gain on listed investments and unlisted investment funds totally of HK$19.4 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 equity markets began the year with a strong recovery momentum continued from 2009 until the European sovereign debt concerns broke out in March. Coupled with worries that gradual tightening of monetary policy would take place if inflationary pressure continued, the markets responded quickly and reversed course despite reasonably attractive valuations and healthy earnings growth. Locally, the equity market, hampered by the State Government's efforts to curb property speculation and bank lending in April, started to lose confidence and worry about a double-dip recession in Western economies. Hang Seng Index fell by 8% to end the half year at 20,128. Yet the average daily turnover was at HK$64 billion, 9% higher compared to the same period last year.

Fund-raising activities continued with the strong pace from the second half of 2009, with 30 new IPOs listed and HK$50 billion of new funds raised in the first half of this year. This nearly doubled the amount registered in the same period of last year, indicating strong corporate funding needs in an economic recovery.

In the Mainland, the economy was recovering well, thanks to the 4 trillion Yuan fiscal stimulus plan until the fast-growing housing prices became a hot topic in every public forum. The market sentiment turned somewhat negative when the State Government launched a series of plans to curb overheated property prices. The sentiment took a further dive when housing prices continued to go up in major cities, PMI fell two months in a row, and a moderately loose monetary policy was adopted. As a way to help the development of the western provinces and to boost investment sentiment, the government announced plans to stimulate the development of the western provinces including positioning Chongqing as the western financial centre. Nevertheless, China's stock markets were among the worst performers in Asia this year, with the Shanghai Composite index tumbling 29% to end the half year at 3,277.

Business Review

The Group's revenue was HK$609.2 million, an increase of 432% compared to HK$114.6 million for the same period of last year. Net profit for the six months ended 30 June 2010 was HK$8.4 million.

Broking

Thanks to the healthy recovery that began in the middle of 2009, the overall trading volume of the Hong Kong equity market increased over 9% for the first six months of 2010. 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

After reengineering its operations and re-branding to CASH Wealth Management last year, the business unit successfully transformed itself from a financial planning-focused entity into a wealth management total solution service provider to include services like MPF, general insurance, assets management and securities broking. The objective was to smooth out revenue volatility and increase income diversity. It aims to equip all frontline sales force with multiple tools that cater to clients' every investment need. The repositioning makes it ready to become a fully-fledged financial service company to provide total personal wealth management solutions.

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

In the first six months of 2010 IPO activities were vigorous following the record in 2009. The listing of the first Moscow-based company Rusal and other companies in contemplation or application from Brazil, Mongolia, and Australia reaffirmed Hong Kong's positioning to become an international financial center. Up to the end of June, Hong Kong stock exchange listed 30 companies and raised HK$50 billion. With the Agriculture Bank of China leading the pack in July and two dozen and so to-be-listed companies, the total funds to be raised in Hong Kong will likely exceed HK$330 billion this year.

During the period under review, the investment banking unit 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 and 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.

Pricerite Operation Review

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 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.

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.

Outlook

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.

Employee Information

At 30 June 2010, the Group had 1,189 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$105.5 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, rules and regulations. This orientation is designed to integrate the employees into the Group and, the Directors believe, help 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 executives 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	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 and family interest	5,000,000	10,000	—	0.81
Lo Kwok Hung John	Beneficial owner	169,000	—	—	0.03
		42,442,120	10,000	315,121,198	57.94

* The shares were held as to 298,156,558 shares by Celestial Investment Group Limited ("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"). Pursuant to the SFO, CASH was 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 and Hobart Assets limited were deemed to be interested in all these shares as a result of their interests in CASH through Cash Guardian as disclosed in the heading of "Substantial shareholders" below.

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

Name	Date of grant	Option period	Notes	Exercise price per share (HK$)	Number of options outstanding as at 1 January 2010 and 30 June 2010	Percentage to issued shares as at 30 June 2010 (%)
Kwan Pak Hoo Bankee	15/6/2009	15/6/2009–30/6/2013	(1)&(2)	0.734	5,000,000	0.81
Chan Chi Ming Benson	15/6/2009	15/6/2009–30/6/2013	(2)	0.734	3,000,000	0.49
Law Ping Wah Bernard	15/6/2009	15/6/2009–30/6/2013	(2)	0.734	5,000,000	0.81
Cheng Man Pan Ben	15/6/2009	15/6/2009–30/6/2013	(2)	0.734	3,000,000	0.49
Yuen Pak Lau Raymond	15/6/2009	15/6/2009–30/6/2013	(2)	0.734	3,000,000	0.49
					19,000,000	3.09

Notes:

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

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

(3) 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 2010 (%)
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 of HK$0.10 each

Name	Capacity	Number of shares: Personal	Number of shares: 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
Cheng Man Pan Ben	Beneficial owner	12,700	—	0.01
Yuen Pak Lau Raymond	Beneficial owner	650,000	—	0.32
		7,446,760	70,216,512	37.80

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

(b) Long positions in the underlying shares

(i) Options under share option scheme

Name	Date of grant	Option period	Exercise price per share (HK$)	Number of options: outstanding as at 1 January 2010	Number of options: granted on 3 June 2010	Number of options: 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	1,800,000	—	1,800,000	0.88
	3/6/2010	3/6/2010–31/5/2012	2.000	—	2,000,000	2,000,000	0.97
Chan Chi Ming Benson	13/3/2009	13/3/2009–31/3/2011	1.130	1,500,000	—	1,500,000	0.73
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
Cheng Man Pan Ben	13/3/2009	13/3/2009–31/3/2011	1.130	1,000,000	—	1,000,000	0.49
Yuen Pak Lau Raymond	13/3/2009	13/3/2009–31/3/2011	1.130	1,000,000	—	1,000,000	0.49
				7,100,000	4,000,000	11,100,000	5.41

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

(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 outstanding 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 heading of "Substantial shareholders" below.

(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 2010 (%)
Kwan Pak Hoo Bankee	70,216,512	47,043,000	117,259,512	57.06
Chan Chi Ming Benson	—	1,500,000	1,500,000	0.73
Law Ping Wah Bernard	6,784,060	3,800,000	10,584,060	5.15
Cheng Man Pan Ben	12,700	1,000,000	1,012,700	0.49
Yuen Pak Lau Raymond	650,000	1,000,000	1,650,000	0.80
	77,663,272	54,343,000	132,006,272	64.23

Save as disclosed above, as at 30 June 2010, none of the directors, chief executives 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 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) & (9))	outstanding as at 30 June 2010
Directors						
15/6/2009	15/6/2009–30/6/2013	0.734	(1) & (3)	19,000,000	—	19,000,000
Employees and consultants						
7/7/2006	7/7/2006–31/7/2010	1.180	(2)	124,000	—	124,000
15/6/2009	15/6/2009–30/6/2013	0.734	(3)	6,000,000	—	6,000,000
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
				30,124,000	24,842,000	54,966,000
				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" above.

(2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the option period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the option period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the option period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the option 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 was subject to delivery of services to members of the Group as determined at the sole discretion of the Board.

(6) The exercise of options was subject to fulfillment of consultant's duties and provision of any solid contribution to members of the Group as determined at the sole discretion of the Board.

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

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

(9) 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	3 June 2010
Share price on date of grant	HK$0.610	HK$0.630
Exercise price	HK$0.610	HK$0.630
Expected volatility	53.75%	53.38%
Expected life of option	2 years	2 years
Risk-free rate	0.69%	0.70%
Expected dividend yield	Nil	Nil

Substantial Shareholders

As at 30 June 2010, so far as is known to the directors and chief executives 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 (1))	Interest in a controlled corporation	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
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. CASH 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. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the shares held by CIGL through CASH and Cash Guardian. 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 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 2010, so far as is known to the directors and chief executives 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. 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 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 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, 31 August 2010

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