



CASH Financial Services Group Limited

(Stock Code:8122)

2007 2Q Results

1 January to 30 June

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

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This report, for which the Directors of CASH Financial Services Group Limited (“Company” or “CFSG”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Highlights

- Net profit attributable to shareholders increased five-fold to HK\$101.6 million.
- Total revenue increased by 46.4% to HK\$253.5 million, which was mainly contributed by the substantial growth in brokerage income.
- Continued to gain market share with strong marketing support.
- The enhanced trading platform, expanded product offerings and strengthened cross-selling synergies have helped CFSG achieve new heights.
- Continue to leverage on its strong foothold in Hong Kong to develop the Mainland initiatives.

Consolidated Income Statement

The unaudited consolidated results of the Company and its subsidiaries ("Group") for the three months and the six months ended 30 June 2007 together with the comparative figures for the last corresponding periods are as follows:

	Notes	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	2006 HK\$'000 (restated)
Continuing operations:					
Revenue	(3)	145,292	86,310	253,479	173,193
Other operating income		340	307	670	580
Salaries, commission and related benefits		(54,147)	(33,671)	(100,167)	(76,304)
Depreciation and amortisation		(1,338)	(1,602)	(2,674)	(3,285)
Finance costs		(24,801)	(12,705)	(37,004)	(22,822)
Other operating, selling and administrative expenses		(28,230)	(21,394)	(43,339)	(37,030)
Net increase (decrease) in fair value of listed investments held for trading		15,624	(498)	14,323	4,529
Profit before taxation		52,740	16,747	85,288	38,861
Taxation charge	(5)	(6,000)	(1,470)	(10,300)	(4,090)
Profit for the period from continuing operations		46,740	15,277	74,988	34,771
Discontinued operation:					
Profit (Loss) for the period from discontinued operation	(6)	26,869	(10,565)	27,832	(14,578)
Profit for the period		73,609	4,712	102,820	20,193

	Notes	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(restated)		(restated)
Attributable to:					
Equity holders of the Company		73,054	4,593	101,605	19,904
Minority interests					
— continuing operations		250	119	550	289
— discontinued operation		305	—	665	—
		73,609	4,712	102,820	20,193
Dividend:					
Proposed interim dividend of HK\$0.02 per share based on 1,448,351,448 shares (2006: Nil)		28,967	—	28,967	—
Earnings per share	(7)				
From continuing and discontinued operations:					
— Basic		5.3 HK cents	0.3 HK cent	7.3 HK cents	1.5 HK cents
— Diluted		5.1 HK cents	N/A	7.2 HK cents	N/A
From continuing operations:					
— Basic		3.4 HK cents	1.1 HK cents	5.4 HK cents	2.5 HK cents
— Diluted		3.3 HK cents	N/A	5.3 HK cents	N/A

Consolidated Balance Sheet

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Non-current assets			
Property and equipment	(8)	25,525	45,720
Investment property		5,000	5,000
Goodwill		4,933	114,878
Intangible assets	(9)	14,152	32,042
Other assets		8,948	16,241
Interest in associate	(10)	28,860	—
Shareholder's loan to associate		10,296	—
Loan receivables	(13)	90	103
Proceeds receivable on disposal of Netfield Technology Limited and its subsidiaries ("Game Group")	(11)	172,557	—
Deferred tax assets		1,575	2,346
		271,936	216,330
Current assets			
Inventories		—	674
Account receivables	(12)	3,577,388	781,721
Loan receivables	(13)	19,676	19,227
Prepayments, deposits and other receivables		42,959	23,764
Amounts due from associate		—	373
Amounts due from fellow subsidiaries		459	3,463
Listed investments held for trading		27,367	54,317
Bank deposits under conditions		28,242	27,813
Bank balances — trust and segregated accounts		778,763	574,577
Bank balances (general accounts) and cash		84,259	73,226
		4,559,113	1,559,155

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Current liabilities			
Account payables	(14)	1,089,775	931,865
Deferred revenue		—	8,027
Accrued liabilities and other payables		54,045	64,860
Taxation payable		13,996	4,428
Obligations under finance leases — amount due within one year		80	215
Bank borrowings — amount due within one year	(15)	3,103,382	278,521
		4,261,278	1,287,916
Net current assets		297,835	271,239
Total assets less current liabilities		569,771	487,569

		30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
	Notes		
Capital and reserves			
Share capital	(17)	138,305	138,205
Reserves		416,054	341,626
Equity attributable to equity holders of the Company		554,359	479,831
Minority interests		1,707	3,761
Total equity		556,066	483,592
Non-current liabilities			
Loan from minority shareholder		13,705	—
Deferred tax liabilities		—	2,615
Bank borrowings — amount due after one year	(15)	—	1,247
Obligations under finance leases — amount due after one year		—	115
		569,771	487,569

Condensed Consolidated Cash Flow Statement

	Unaudited six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(2,730,448)	(66,917)
Net cash used in investing activities	(69,274)	(64,365)
Net cash from financing activities	2,810,755	161,383
Net increase in cash and cash equivalents	11,033	30,101
Cash and cash equivalents at beginning of period	73,226	117,516
Cash and cash equivalents at end of period	84,259	147,617
Bank balances (general accounts) and cash	84,259	147,617

Consolidated Statement of Changes in Equity

Unaudited six months ended 30 June 2007										
Attributable to equity holders of the Company										
Note	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Retained profits (Accumulated losses) HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000	
At 1 January 2007	138,205	220,970	128,550	2,496	(288)	(10,102)	479,831	3,761	483,592	
Profit for the period, representing total recognised income for the period	—	—	—	—	—	101,605	101,605	1,215	102,820	
Amount transferred from share premium account to contributed surplus account	—	(100,000)	100,000	—	—	—	—	—	—	
Amount transferred to set off accumulated losses	—	—	(28,000)	—	—	28,000	—	—	—	
Reduction arising from disposal of subsidiaries	—	—	—	—	288	—	288	(3,269)	(2,981)	
2006 final dividend paid	—	—	—	—	—	(27,661)	(27,661)	—	(27,661)	
Issue of new shares (a)	100	196	—	—	—	—	296	—	296	
At 30 June 2007	138,305	121,166	200,550	2,496	—	91,842	554,359	1,707	556,066	

Unaudited six months ended 30 June 2007											
Attributable to equity holders of the Company											
Notes	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Convertible loan note equity reserve HK\$'000	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total HK\$'000	
At 1 January 2006	104,488	130,794	173,550	581	883	—	(53,678)	356,618	1,471	358,089	
Profit for the period, representing total recognised income for the period	—	—	—	—	—	—	19,904	19,904	289	20,193	
Conversion of convertible loan note (b)	6,000	10,508	—	(308)	—	—	—	16,200	—	16,200	
Arising from partial repayment of convertible loan note	—	—	—	(273)	—	—	—	(273)	—	(273)	
Issue of new shares (c)(i), (ii) and (iii)	27,617	82,781	—	—	—	—	—	110,398	—	110,398	
Transaction costs attributable to issue of new shares (c)(i), (ii) and (iii)	—	(3,000)	—	—	—	—	—	(3,000)	—	(3,000)	
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	(353)	(353)	
Exchange difference arising from translation of foreign operations	—	—	—	—	—	64	—	64	—	64	
At 30 June 2006	138,105	221,083	173,550	—	883	64	(33,774)	499,911	1,407	501,318	

Notes:

- (a) Please refer to the note (17) of share capital for details of the issue of 1,000,000 new shares of HK\$0.10 each in the Company during the period.
- (b) On 18 January 2006, a total of 60,000,000 new shares of HK\$0.10 each were issued upon partial exercise of conversion right attaching to the convertible loan note issued on 1 September 2004 in the sum of HK\$16,200,000 at the conversion price of HK\$0.27 each. These shares rank pari passu in all respects with other shares in issue.
- (c)(i) Pursuant to the placing agreement dated 15 September 2005, a total of 155,000,000 new shares of HK\$0.10 each were issued to placees at a placing price of HK\$0.40 each on 10 January 2006. The gross proceeds from the placing were HK\$62,000,000. These shares rank pari passu in all respects with other shares in issue.
- (c)(ii) Pursuant to the subscription agreement dated 15 September 2005, a total of 120,000,000 new shares of HK\$0.10 each were issued to Celestial Investment Group Limited ("CIGL"), the controlling shareholder of the Company, at a subscription price of HK\$0.40 each on 10 January 2006. The gross proceeds from the subscription were HK\$48,000,000. These shares rank pari passu in all respects with other shares in issue.
- (c)(iii) On 26 January 2006, 1,170,000 share options were exercised at an exercise price of HK\$0.34 each, resulting in the issue of a total of 1,170,000 new shares of HK\$0.10 each for a total consideration (before expenses) of HK\$397,800. 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited consolidated accounts include applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The unaudited consolidated results for the six months ended 30 June 2007 have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2006.

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

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

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

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

(3) Revenue

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000 (restated)	2007 HK\$'000	2006 HK\$'000 (restated)
Continuing operations:				
Fees and commission income	108,953	64,078	195,923	133,264
Interest income	36,339	22,232	57,556	39,929
	145,292	86,310	253,479	173,193
Discontinued operation:				
Online game subscription income	12,098	4,170	42,702	5,728
Sales of online game auxiliary products	4,556	—	33,463	—
Licensing income	58	—	195	—
	16,712	4,170	76,360	5,728

(4) Business and geographical segments

For management purposes, the Group is currently organised into three (2006: three (restated)) main operating divisions, namely, broking, financing and corporate finance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

The Group was also involved in the provision of online game services, sales of online game auxiliary products and licensing services. This online game services division arose from acquisition of online game business on 10 January 2006 and was disposed of on 1 June 2007 (please refer to note (6) of discontinued operation below for details). Therefore, this operation was discontinued at the beginning of June 2007.

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

Income statement for the six months ended 30 June 2007

	Continuing operations				Discontinued operation	Consolidated HK\$'000
	Broking HK\$'000	Financing HK\$'000	Corporate	Total HK\$'000	Online game services HK\$'000	
			finance HK\$'000			
Revenue	195,079	53,356	5,044	253,479	76,360	329,839
RESULT						
Segment profit (loss)	84,419	6,078	(385)	90,112	(7,278)	82,834
Other operating income				670	339	1,009
Profit on disposal of discontinued operation				—	34,715	34,715
Unallocated corporate expenses				(5,494)	—	(5,494)
Profit before taxation				85,288	27,776	113,064
Taxation (charge) credit				(10,300)	56	(10,244)
Profit for the period				74,988	27,832	102,820

Income statement for the six months ended 30 June 2006

	Continuing operations			Discontinued operation		Consolidated HK\$'000 (restated)
	Broking HK\$'000	Financing HK\$'000	Corporate finance HK\$'000	Total HK\$'000 (restated)	Online game services HK\$'000 (restated)	
Revenue	134,235	35,501	3,457	173,193	5,729	178,922
RESULT						
Segment profit (loss)	40,527	3,454	(2,550)	41,431	(14,578)	26,853
Other operating income				581	7	588
Net increase in fair value of listed investments held for trading				4,529	—	4,529
Unallocated corporate expenses				(7,687)	—	(7,687)
Profit before taxation				38,854	(14,571)	24,283
Taxation charge				(4,090)	—	(4,090)
Profit for the period				34,764	(14,571)	20,193

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. For the activities of broking, financing and corporate finance, they are based in Hong Kong and the revenue of these activities are derived from Hong Kong. The online game services are mainly based in PRC and Taiwan and the relevant revenue are derived mainly from PRC and Taiwan.

The following table provides an analysis of the Group's revenue by geographical market:

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Continuing operations:				
— Hong Kong	145,292	86,310	253,479	173,193
Discontinued operation:				
— PRC	11,035	4,170	42,897	5,728
— Taiwan	5,677	—	33,463	—
	16,712	4,170	76,360	5,728

(5) Taxation charge

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Continuing operations:				
Profits tax:				
— Hong Kong	6,000	1,470	10,300	1,590
Deferred taxation charge	—	—	—	2,500
	6,000	1,470	10,300	4,090

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both periods.

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

Certain subsidiaries of the Group under discontinued operation are operating in overseas. Taxes on profits assessable elsewhere have been calculated at the rates prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(6) Discontinued operation

Pursuant to an ordinary resolution passed by the independent shareholders at the special general meeting of the Company held on 23 April 2007, the disposal of the entire equity interest in Netfield Technology Limited and its subsidiaries ("Game Group") was completed on 1 June 2007. Accordingly, the online game services previously engaged by the Game Group was reclassified as discontinued operation under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The comparative figures for 2006 have been reclassified to conform with the current period presentation.

The profit (loss) for the period from discontinued operation is analysed as follows:

	Unaudited		Unaudited	
	period from	three months	period from	six months
	1.4.2007 to	ended 30 June	1.1.2007 to	ended 30 June
	31.5.2007	2006	31.5.2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(restated)		(restated)
Loss from discontinued operation for the period	(6,721)	(10,565)	(5,758)	(14,578)
Profit on disposal of discontinued operation	33,590	—	33,590	—
	26,869	(10,565)	27,832	(14,578)

The results of the Game Group for the current period, which have been included in the consolidated income statement, were as follows:

	Unaudited		Unaudited	
	period from 1.4.2007 to 31.5.2007 HK\$'000	three months ended 30 June 2006 HK\$'000 (restated)	period from 1.1.2007 to 31.5.2007 HK\$'000	six months ended 30 June 2006 HK\$'000 (restated)
Revenue	16,712	4,170	76,360	5,728
Other operating income	253	7	339	7
Salaries, commission and related benefits	(4,747)	(2,974)	(8,149)	(4,845)
Depreciation and amortisation	(917)	(3,828)	(4,071)	(3,893)
Finance costs	—	(14)	—	(14)
Other operating, selling and administrative expenses	(18,424)	(7,671)	(70,293)	(11,306)
Allowance for bad and doubtful debts	—	(255)	—	(255)
Loss before taxation	(7,123)	(10,565)	(5,814)	(14,578)
Taxation credit	402	—	56	—
Loss for the period	(6,721)	(10,565)	(5,758)	(14,578)

(7) Earnings per share

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

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit for the purpose of basic and diluted earnings per share				
From continuing and discontinued operations	73,054	4,593	101,605	19,904
From continuing operations	46,490	15,158	74,438	34,482

	Unaudited three months ended 30 June		Unaudited six months ended 30 June	
	2007	2006	2007	2006
	Number of shares			
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,382,809,690	1,381,051,448	1,382,432,663	1,361,580,454
Effect of dilutive potential ordinary shares assumed exercise of share options	41,113,839	N/A	31,159,182	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,423,923,529	1,381,051,448	1,413,591,845	1,361,580,454

The computation of diluted earnings per share for the six months ended 30 June 2006 does not assume the exercise of the Company's outstanding share options as the exercise prices of those options were higher than the average market price for shares for that period.

(8) Property and equipment

During the period, the Group spent approximately HK\$1,300,000 (2006: HK\$1,741,000) on the acquisitions of property and equipment.

(9) Intangible assets

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Trading rights in the exchanges in Hong Kong	9,092	9,092
Club memberships	5,060	5,060
Online game related intellectual property*	—	12,430
Domain name*	—	5,460
	14,152	32,042

* Intangible assets as at 31 December 2006 included the following components which were arising from the acquisition of subsidiaries of online game business during 2006:

- Online game related intellectual property which represents online game development cost and licensing fee, website development cost and software technology copyrights arising from acquisition of online game business in PRC.
- Domain name which represents the legal and beneficial ownership of domain name "www.shanghai.com".

Both of them have been disposed of on disposal of the Game Group during the current period.

(10) Interest in associate

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Cost of investment in an associate	28,860	—

As the associate is newly incorporated, there is no post-acquisition result up to period-end date.

As at 30 June 2007, the Group had interests in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Group %	Proportion of voting power held %	Principal activity
China Able Limited	Incorporated	British Virgin Islands	PRC	Ordinary	33	33	Investment holding

(11) Proceeds receivable on disposal of the Game Group

As explained in note (6) above, the Group had disposed of the Game Group to CIGL (the controlling shareholder of the Company) at a consideration of HK\$120 million. Up to the completion date on 1 June 2007, total deposits of HK\$50.0 million had been received from CIGL. The remaining balance of the consideration as well as the amounts originally due from the Game Group as at the completion date of approximately HK\$172,557,000 became due from CIGL.

According to the sales and purchase agreement entered into between CIGL and the Group, the abovementioned balance will be paid on or before the second anniversary of the date of completion with interest at the prime lending rate being offered by The Hongkong and Shanghai Banking Corporation Limited from time to time.

(12) Account receivables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	191,398	125,450
Cash clients	154,101	112,334
Margin clients	456,179	443,524
Clients of subscription for initial public offerings ("IPOs")	2,693,267	—
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	77,811	83,847
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,455	3,479
Account receivables arising from the business of provision of corporate finance services	1,177	372
Account receivables arising from the business of provision of online game services	—	12,715
	3,577,388	781,721

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

Loans to clients of subscriptions for IPOs is due when the corresponding allotment result of related IPOs have been public announced.

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

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

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

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

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0-30 days	2,843	10,849
31-60 days	559	2,387
61-90 days	50	1,690
Over 90 days	1,180	1,640
	4,632	16,566

(13) Loan receivables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Variable-rate loan receivables denominated in Hong Kong dollar	46,336	45,900
Less: Allowance for bad and doubtful debts	(26,570)	(26,570)
	19,766	19,330
Carrying amount analysed for reporting purposes:		
Current assets (receivable within 12 months from the balance sheet date)	19,676	19,227
Non-current assets (receivable after 12 months from the balance sheet date)	90	103
	19,766	19,330

Loan receivables with an aggregate carrying value of HK\$Nil (31 December 2006: HK\$4,968,000) are secured by pledged marketable securities.

The variable-rate loan receivables have contractual maturity dates as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Within one year	19,676	19,227
In more than one year but not more than two years	25	23
In more than two years but not more than three years	27	25
In more than three years but not more than four years	28	27
In more than four years but not more than five years	10	28
	19,766	19,330

The effective interest rates (which are equal to contractual interest rate) on the Group's loan receivables are Prime rate plus a spread. Interest rate term is fixed at the time when entering into loan agreement.

(14) Account payables

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	780,910	679,498
Margin clients	168,213	106,132
Account payables to clients arising from the business of dealing in futures and options	136,218	142,500
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	4,434	2,798
Account payables arising from the business of the online game services	—	937
	1,089,775	931,865

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

Amounts due to margin clients are repayable on demand.

Account payables to clients arising from the business of dealing in futures, options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

Account payables arising from the online game services are payable for production of online game auxiliary products. The whole account payables are aged within 30 days.

No aged analysis for the above account payables is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of these businesses.

(15) Bank borrowings

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Bank loans and overdrafts in relation to financing businesses	441,282	277,347
Bank borrowings for financing IPOs clients	2,662,100	—
Bank loans in relation to online game business	—	2,421
	3,103,382	279,768

The maturity profile of the above loans and overdrafts is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Total bank borrowings	3,103,382	279,768
Less: Amount due within one year shown under current liabilities	(3,103,382)	(278,521)
Amount due after one year shown under non-current liabilities	—	1,247

(16) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank balances and cash, bank borrowings, account receivables and account payables. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities. The board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Cash flow interest rate risk

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

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 June 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk on brokerage and financing operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. With regard to provision of online game services, the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with 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 House or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

(17) Share capital

	Note	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 January 2007 and 30 June 2007		3,000,000	300,000
Issued and fully paid:			
At 1 January 2007		1,382,051	138,205
Exercise of share options	(a)	1,000	100
At 30 June 2007		1,383,051	138,305

Note:

(a) Exercise of share options

On 23 April 2007, 1,000,000 share options were exercised at an exercise price of HK\$0.296 each, resulting in the issue of a total of 1,000,000 new shares of HK\$0.10 each for a total consideration (before expenses) of HK\$296,000. These shares rank pari passu in all respects with other shares in issue.

(18) Contingent liability

With regard to the litigation with Pang Po King Cannie ("Pang") as disclosed in the annual report for the year ended 31 December 2006, as at the period-end date, the Directors do not envisage the claim made by Pang will be held to be valid. The case was in progress and the date of trial was fixed on 8 to 11 and 14 January 2008. Accordingly, no provision was made in the financial statements. Besides that, the Group has no other material contingent liability outstanding.

(19) Commitment

Capital commitment

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
Committed capital contribution to associate not yet due and not provided in the financial statements	114,000	—

(20) Post balance sheet date event

There is no material post balance sheet event subsequent to 30 June 2007.

Dividend

The Board is pleased to declare an interim dividend of HK\$0.02 per ordinary share for the six months ended 30 June 2007 (2006: Nil) to shareholders whose names appear on the register of members on 29 August 2007. The dividend cheques will be sent to shareholders on or before 3 September 2007.

Closure of Register of Members

The register of members of the Company will be closed from 27 August 2007, Monday, to 29 August 2007, Wednesday, 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 Hong Kong Branch Share Registrars, Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on 24 August 2007, Friday.

Review and Outlook

Financial Review

For the six months ended 30 June 2007, the Group ceased to consolidate the revenue and operating results of the Game Group subsequent to the completion of the disposal of the Game Group on 1 June 2007. The transaction is further elaborated below under the paragraph of "Material Acquisitions and Disposals".

During the period, the Group achieved a net profit attributable to shareholders of HK\$101.6 million as compared to HK\$19.9 million as recorded in the same period last year. Such significant increase was mainly attributable to an improved performance of the Group's broking business. This was also contributed by the incorporation of the profit on disposal of the Game Group of HK\$33.6 million.

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

Liquidity and Financial Resources

The Group's total equity amounted to HK\$556.1 million on 30 June 2007 as compared to HK\$483.6 million at end of the previous year. The net increase was mainly due to the growth in retained earnings.

On 30 June 2007, our cash and bank balances including trust and segregated accounts totalled HK\$891.3 million as compared to HK\$675.6 million at end of the previous year. The increase in cash and bank balances of the trust and segregated accounts was a result of an increase in clients' deposits. They would like to place more readily liquid fund with us for catching instant investment opportunities under active market conditions. On the other hand, even after meeting the intense demand for margin financing from our clients, the level in the cash and bank balances of our house accounts remained unchanged as a result of the cash generated from the profit retained during the period. The liquidity ratio on 30 June 2007 remained healthy at 1.1 times, as compared to 1.2 times on 31 December 2006.

A cash deposit of HK\$10.4 million was pledged as collateral for a general overdraft facility of HK\$30.0 million which was fully drawdown at 30 June 2007. Another deposit of HK\$1.0 million was pledged to secure a general banking facility granted to a subsidiary. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group covenants to maintain deposits of not less than HK\$15.0 million with the bank as a pre-condition for an overdraft facility granted by the bank. Therefore, a bank deposit of approximately HK\$16.9 million was held for this purpose.

Our total bank borrowings on 30 June 2007 were HK\$3,103.4 million, comprising bank loans of HK\$2,882.0 million and overdrafts of HK\$221.4 million. The bank borrowings of HK\$441.3 million were drawn to fund securities margin financing to our clients. HK\$343.6 million of these bank borrowings were collateralised by our margin clients' securities pledged to us for seeking financing. Another short term bank borrowings totally of HK\$2,662.1 million were drawn to re-financing our clients for their subscriptions of IPOs shares.

Excluding the effect on short term bank borrowings in relation to IPOs re-financing, which had been fully settled subsequent to the period-end date, the ratio for our interest bearing borrowings to total equity was 79.4% on 30 June 2007 as compared to 57.9% on 31 December 2006. As the bank borrowings being mainly of a back-to-back nature, our gearing was kept at a conservatively low level. Save as that disclosed in note (18) to the financial statements, we have no other material contingent liabilities at the period-end.

Foreign Exchange Risks

As at the end of the period, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material Acquisitions and Disposals

In January 2007, the Company announced a connected and discloseable transaction for the proposed disposal of the entire issued share capital of the Game Group to CIGL, the controlling shareholder of the Company, at a consideration of the higher of HK\$120 million or the valuation of the online game business operated by the Game Group as at 31 December 2006. The final consideration was fixed at HK\$120 million. Details of the disposal were set out in the Company's announcement dated 9 January 2007. The Game Group is an online game developer and operator in PRC and Taiwan. The transaction was approved by the independent shareholders of the Company at a special general meeting held on 23 April 2007 and was completed on 1 June 2007.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the period.

Capital Commitments

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

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

Material Investments

As at 30 June 2007, the Group was holding a portfolio of listed investments with a market value of approximately HK\$27.4 million and a profit on such investments of HK\$14.3 million was recorded in the period.

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

Business Review

The global markets, fueled by record high corporate earnings and M&A activities, continued with the momentum carried over from the previous quarter. The Hang Seng Index broke record one after another in terms of market capitalisation and turnover. The initial public offering (IPO) market remained buoyant with new issues heavily sought after. H-shares continued to lead the market and now account for more than half of the Hang Seng Index value. Optimism on the 2008 Beijing Olympics and anticipation of Renminbi-asset appreciation, the Shanghai and Shenzhen indices continued to propel and recorded new highs during the early part of the quarter. The two markets then came to a halt after the Central Government increased interest rates and stamp duty to cool down the overheating. Despite this intervention, investors seemed generally optimistic over China's fast economic growth and Renminbi's gradual appreciation over time. The Hong Kong market turnover averaged HK\$65 billion, a 91% increase compared to the same period of last year.

The Group achieved favourable results for the first half of 2007. Revenue from continuing operations and net profit attributable to shareholders rose 46.4% and 410.5%, respectively. The Group recorded a revenue from continuing operations of HK\$253.5 million compared to HK\$173.2 million for the same period of last year. A net profit attributable to shareholders of HK\$101.6 million was recorded for the period ended 30 June 2007.

Our market share has improved significantly as a result of the success of our marketing campaign launched at the end of last year and strategic alliances we formed with a number of Mainland brokerage firms for referring Mainland clients with funding outside of China. The efforts we made in previous years to optimise our trading platforms and broaden our delivery channels have allowed us to withstand the sudden increases in trading activities during the quarter and maintain our service level at all time.

The brokerage turnover experienced significant growth and recorded successive new highs in the second quarter. This was attributable mainly to the inflow of funds ahead of the commencement of QDII investments during the third quarter of 2007. Another driver of growth came from income generated from IPO activities.

Our wealth management division regained ground and experienced a steady growth after re-engineering its pricing strategy earlier this year. The competition in the financial planning business is stronger than ever. To solidify and expand its market share in the increasingly competitive environment, the division will continue to improve its product offerings, service level, and strengthen cross-selling synergy with the house-served brokerage clients.

The asset management business outperformed the Hang Seng index in a number of its portfolios and recorded attractive gains for the clients. Benefiting from the general market strength, it registered healthy growth in assets under management in the second quarter. It will continue to focus on the expansion of client base and assets under management while maintaining its out-performance.

As corporate activities such as assets injections and M&As continued to increase locally and internationally, the investment banking unit was active in financial advisory for M&As and the special transaction markets during the second quarter. It continued to lay ground for the growing IPO pipeline from medium-sized companies in the PRC. The division will remain a key revenue contributor for the Group and we anticipate to see its share of the contribution continue to rise.

As part of our strategy to refocus on financial services, the online game division, which performed in line with the business and financial targets for the period, has been transferred to our Holding Company. The proposed transaction has been approved by shareholders at the special general meeting held on 23 April 2007 and was completed in June of this year.

The Group is generally optimistic about the business outlook for the rest of the year as Hong Kong's GDP is expected to show a strong growth of 4.5-5.5% and liquidity remains abundant in anticipation of Renminbi-asset appreciation. Granted, there are challenges and factors ahead that could affect the global and local investment sentiments, such as continued global assets inflation, the seemingly bumpy recovery of the US economy, the tension in the Middle East which has resulted in high energy prices, and China's macroeconomic tightening and its impact on the rest of the world.

We have built a strong platform that positions us favourably as we aim to accelerate the pace of growth leading to significant value creation for our clients, employees, and shareholders. We will continue to diversify our revenue mix through strengthening existing businesses and enriching product types. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs, executes well and values their business relationships.

Employee Information

At 30 June 2007, the Group had 253 employees. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund scheme, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK\$37.0 million. We continue to organise both on the job and off the job trainings to employees in areas such as product knowledge, customer service, selling techniques, communication, presentation, coaching, counselling, mentoring, system management and continuous professional training programmes required by regulatory bodies.

Directors' Interests in Securities

As at 30 June 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules were as follows:

A. The Company

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	711,700,839*	51.46
Wong Kin Yick Kenneth	Beneficial owner	10,860,000	—	0.79
Law Ping Wah Bernard	Beneficial owner	17,264,000	—	1.25
Cheng Man Pan Ben	Beneficial owner	1,288,000	—	0.09
Cheng Shu Shing Raymond	Beneficial owner	1,100,000	—	0.08
		30,512,000	711,700,839	53.67

* The shares were held as to 40,392,000 shares by Cash Guardian and as to 671,308,839 shares by CIGL, a wholly-owned subsidiary of Celestial Asia Securities Holdings Limited ("CASH"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options			Percentage to issued shares as at 30 June 2007 (%)
					outstanding as at 1 January 2007	exercised during the period	outstanding as at 30 June 2007	
Kwan Pak Hoo Bankee	7/7/2006	7/7/2006–31/7/2008	0.296	(1)	6,000,000	—	6,000,000	0.43
Wong Kin Yick Kenneth	7/7/2006	7/7/2006–31/7/2008	0.296	(2)	6,000,000	(1,000,000)	5,000,000	0.36
Low Ping Wah Bernard	7/7/2006	7/7/2006–31/7/2008	0.296		6,000,000	—	6,000,000	0.43
Cheng Man Pan Ben	7/7/2006	7/7/2006–31/7/2008	0.296		6,000,000	—	6,000,000	0.43
Cheng Shu Shing Raymond	7/7/2006	7/7/2006–31/7/2008	0.296		1,000,000	—	1,000,000	0.07
Hui Ka Wah Ronnie	7/7/2006	7/7/2006–31/7/2008	0.296		1,000,000	—	1,000,000	0.07
Lo Kwok Hung John	7/7/2006	7/7/2006–31/7/2008	0.296		1,000,000	—	1,000,000	0.07
					27,000,000	(1,000,000)	26,000,000	1.86

Notes:

- (1) Mr Kwan Pak Hoo Bankee is also the substantial shareholder of the Company.
- (2) On 23 April 2007, 1,000,000 share options were exercised at an exercise price of HK\$0.296 each by Mr Wong Kin Yick Kenneth.
- (3) The options are held by the Directors in the capacity of beneficial owners.
- (4) No option was granted, lapsed or cancelled during the period.

(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 2007 (%)
Kwan Pak Hoo Bankee	711,700,839	6,000,000	717,700,839	51.89
Wong Kin Yick Kenneth	10,860,000	5,000,000	15,860,000	1.15
Law Ping Wah Bernard	17,264,000	6,000,000	23,264,000	1.68
Cheng Man Pan Ben	1,288,000	6,000,000	7,288,000	0.52
Cheng Shu Shing Raymond	1,100,000	1,000,000	2,100,000	0.15
Hui Ka Wah Ronnie	—	1,000,000	1,000,000	0.07
Lo Kwok Hung John	—	1,000,000	1,000,000	0.07
	742,212,839	26,000,000	768,212,839	55.53

B. Associated corporations (within the meaning of SFO)

CASH

(a) *Long positions in the ordinary shares*

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	—	246,042,564*	37.49
Law Ping Wah Bernard	Beneficial owner	7,644,300	—	1.16
Cheng Man Pan Ben	Beneficial owner	63,500	—	0.01
		7,707,800	246,042,564	38.66

* The shares were held by Cash Guardian. On 12 June 2007, Cash Guardian and CASH entered into a subscription agreement to subscribe for a total of 50,000,000 new shares of CASH at HK\$0.52 per share. Subsequent to 30 June 2007, the subscription was completed on 23 July 2007. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

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

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			Percentage to issued shares as at 30 June 2007 (%)
				outstanding as at 1 January 2007	granted during the period	outstanding as at 30 June 2007	
Kwan Pak Hoo Bankee	13/11/2006	13/11/2006–12/11//2008	0.323	4,000,000	—	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490	—	2,500,000	2,500,000	0.38
Law Ping Wah Bernard	13/11/2006	13/11/2006–12/11//2008	0.323	4,000,000	—	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490	—	2,500,000	2,500,000	0.38
Wong Kin Yick Kenneth	13/11/2006	13/11/2006–12/11//2008	0.323	4,000,000	—	4,000,000	0.61
	6/6/2007	6/6/2007–31/5/2009	0.490	—	2,500,000	2,500,000	0.38
Cheng Man Pan Ben	6/6/2007	6/6/2007–31/5/2009	0.490	—	6,500,000	6,500,000	0.99
				12,000,000	14,000,000	26,000,000	3.96

Note: 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 2007 (%)
Kwan Pak Hoo Bankee	246,042,564	6,500,000	252,542,564	38.48
Wong Kin Yick Kenneth	—	6,500,000	6,500,000	0.99
Law Ping Wah Bernard	7,644,300	6,500,000	14,144,300	2.15
Cheng Man Pan Ben	63,500	6,500,000	6,563,500	1.00
	253,750,364	26,000,000	279,750,364	42.62

Save as disclosed above, as at 30 June 2007, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

Share Option 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 2007 were as follows:

Date of grant	Exercise period	Exercise price per share (HK\$)	Notes	Number of options		
				outstanding as at 1 January 2007	exercised during the period (Note (3))	outstanding as at 30 June 2007
Directors						
7/7/2006	7/7/2006–31/7/2008	0.296	(1)	27,000,000	(1,000,000)	26,000,000
Employees						
7/7/2006	7/7/2006–31/7/2008	0.296		73,300,000	—	73,300,000
7/7/2006	7/7/2006–31/7/2010	0.296	(2)	6,000,000	—	6,000,000
				79,300,000	—	79,300,000
				106,300,000	(1,000,000)	105,300,000

Notes:

- (1) Details of the options granted to the Directors are set out in the section headed "Directors' Interests in Securities".
- (2) The options are vested in 4 tranches as to (i) 25% exercisable from the commencement of the exercise period; (ii) 25% exercisable from the expiry of 12 months from the commencement of the exercise period; (iii) 25% exercisable from the expiry of 24 months from the commencement of the exercise period; and (iv) 25% exercisable from the expiry of 36 months from the commencement of the exercise period.
- (3) On 23 April 2007, 1,000,000 share options were exercised at the exercise price of HK\$0.296 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.355 per share.
- (4) No option was granted, lapsed or cancelled during the period.

Substantial Shareholders

As at 30 June 2007, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Jeffnet Inc (Note (1))	Trustee of a discretionary trust	711,700,839	51.46
Cash Guardian (Note (1))	Interest in a controlled corporation	711,700,839	51.46
CASH (Note (1))	Interest in a controlled corporation	671,308,839	48.54
CIGL (Note (1))	Beneficial owner	671,308,839	48.54
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	207,636,000	15.01
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	207,636,000	15.01
Dr Wolfgang Auer von Welsbach (Note (3))	Interest in a controlled corporation	71,502,907	5.17
Auer von Welsbach Privatstiftung (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Beteiligungsverwaltungs GmbH (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Management Beteiligungs AG (Note (3))	Interest in a controlled corporation	71,502,907	5.17
AvW Invest AG Aktiengesellschaft (Note (3))	Beneficial owner	71,502,907	5.17

Notes:

- (1) This refers to the same number of 711,700,839 shares which were held as to 671,308,839 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 shares by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). CASH was owned as to approximately 37.49% by Cash Guardian. Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to the SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in all the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.
- (2) This refers to the same number of 207,636,000 shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in all the shares held by ARTAR.
- (3) This refers to the same number of 71,502,907 shares held by AvW Invest AG Aktiengesellschaft, an Austria corporation and was listed on Vienna Stock Exchange, ATX Prime Market. AvW Invest AG Aktiengesellschaft was 74% owned by AvW Management Beteiligungs AG, which in turn was 100% owned by AvW Beteiligungsverwaltungs GmbH. AvW Beteiligungsverwaltungs GmbH is 100% owned by Auer von Welsbach Privatstiftung, which was a discretionary trust established in Austria and its founders include Dr Wolfgang Auer von Welsbach. Pursuant to the SFO, Dr Wolfgang Auer von Welsbach, Auer von Welsbach Privatstiftung, AvW Beteiligungsverwaltungs GmbH and AvW Management Beteiligungs AG were deemed to be interested in all the shares held by AvW Invest AG Aktiengesellschaft.

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

Corporate Governance

During the accounting period from 1 January 2007 to 30 June 2007, the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the GEM 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 rules 5.48 to 5.67 of the GEM 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 during the accounting period from 1 January 2007 to 30 June 2007.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2007 have not been reviewed by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

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

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 8 August 2007

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Wong Kin Yick Kenneth, Mr Law Ping Wah Bernard and Mr Cheng Man Pan Ben, and the independent non-executive Directors are Mr Cheng Shu Shing Raymond, Dr Hui Ka Wah Ronnie and Mr Lo Kwok Hung John.