CASH FINANCIAL SERVICES GROUP LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 510)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

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 2012 together with the comparative figures for the last corresponding period are as follows:

		Unaudited	
		Six months ended 30 June	
		2012	2011
	Notes	**HK$'000**	HK$'000
Revenue	(3)	**610,243**	653,628
Other income		**2,981**	3,129
Cost of sales for retailing business		**(304,862)**	(308,317)
Salaries, commission and related benefits		**(141,220)**	(191,908)
Depreciation		**(28,180)**	(25,714)
Finance costs		**(4,584)**	(7,265)
Other operating and administrative expenses		**(214,774)**	(205,908)
Net gain on investments held for trading		**45,399**	66,865
Share of profits of associates		**8,254**	6,909
Loss before taxation		**(26,743)**	(8,581)
Income tax expense	(5)	**(1,900)**	(1,200)
Loss for the period		**(28,643)**	(9,781)
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**396**	1,853
Gain on revaluation of leasehold land and building		**-**	22,007
Income tax relating to the gain on revaluation of leasehold land and building		**-**	(3,631)
Other comprehensive income for the period (net of tax)		**396**	20,229
Total comprehensive (expense) income for the period		**(28,247)**	10,448

	Note	Unaudited Six months ended 30 June **2012** **HK$'000**	2011 HK$'000
(Loss) profit for the period attributable to:			
Owners of the Company		**(31,532)**	(12,199)
Non-controlling interests		**2,889**	2,418
		(28,643)	(9,781)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(31,136)**	7,291
Non-controlling interests		**2,889**	3,157
		(28,247)	10,448
Loss per share for loss attributable to the owners of the Company during the period	(6)		
- Basic and diluted		**HK(0.8) cent**	HK(0.3) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) HK$'000**	31 December 2011 (Audited) HK$'000
Non-current assets			
Property and equipment	(7)	**100,899**	114,306
Investment properties		**85,952**	85,952
Goodwill		**2,661**	2,661
Intangible assets		**321,059**	321,059
Other assets		**8,905**	7,477
Rental and utility deposits		**32,877**	33,964
Interests in associates		**147,148**	138,894
Loan to an associate		**10,296**	10,296
Deferred tax assets		**4,700**	4,700
		714,497	719,309
Current assets			
Inventories		**56,279**	59,423
Accounts receivable	(8)	**586,690**	814,286
Loans receivable	(9)	**28,042**	44,492
Prepayments, deposits and other receivables		**50,422**	33,692
Tax recoverable		**3,578**	2,894
Investments held for trading		**116,275**	26,961
Bank deposits subject to conditions		**80,050**	80,040
Bank balances - trust and segregated accounts		**780,655**	694,525
Bank balances (general accounts) and cash		**314,942**	414,079
		2,016,933	2,170,392
Current liabilities			
Accounts payable	(10)	**1,301,382**	1,386,140
Accrued liabilities and other payables		**88,689**	145,490
Taxation payable		**6,752**	5,852
Obligations under finance leases - amount due within one year		**257**	289
Bank borrowings - amount due within one year		**289,950**	274,757
Loan from a non-controlling shareholder		**27,437**	27,437
		1,714,467	1,839,965
Net current assets		**302,466**	330,427
Total assets less current liabilities		**1,016,963**	1,049,736

	Note	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Non-current liabilities			
Deferred tax liabilities		**55,539**	55,539
Obligations under finance leases - amount due after one year		**133**	263
Bank borrowings - amount due after one year		**32,132**	32,840
		87,804	88,642
Net assets		**929,159**	961,094
Capital and reserves			
Share capital	(12)	**78,382**	78,382
Reserves		**818,775**	849,349
Equity attributable to owners of the Company		**897,157**	927,731
Non-controlling interests		**32,002**	33,363
Total equity		**929,159**	961,094

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**	**Non - controlling interests HK$'000**	**Total HK$'000**
	Unaudited Six months ended 30 June 2012									
	Attributable to equity holders of the Company									
At 1 January 2012	**78,382**	**461,665**	**176,788**	**28,151**	**-**	**13,319**	**169,426**	**927,731**	**33,363**	**961,094**
(Loss) profit for the period	-	-	-	-	-	-	(31,532)	(31,532)	2,889	(28,643)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	396	-	396	-	396
Other comprehensive income for the period (net of tax)	-	-	-	-	-	396	-	396	-	396
Total comprehensive income (expense) for the period	-	-	-	-	-	396	(31,532)	(31,136)	2,889	(28,247)
Share-based compensation	-	-	-	562	-	-	-	562	-	562
Amount transferred to retained earnings as a result of expiration of share options	-	-	-	(2,361)	-	-	2,361	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(4,250)	(4,250)
At 30 June 2012	**78,382**	**461,665**	**176,788**	**26,352**	**-**	**13,715**	**140,255**	**897,157**	**32,002**	**929,159**

	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	Non - controlling interests HK$'000	Total HK$'000
	Unaudited Six months ended 30 June 2011									
	Attributable to equity holders of the Company									
At 1 January 2011	70,765	460,745	176,788	11,451	25,439	7,421	171,821	924,430	20,313	944,743
(Loss) profit for the period	-	-	-	-	-	-	(12,199)	(12,199)	2,418	(9,781)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	1,114	-	1,114	739	1,853
Gain on revaluation of leasehold land and building	-	-	-	-	22,007	-	-	22,007	-	22,007
Income tax relating to the gain on revaluation of leasehold land and building	-	-	-	-	(3,631)	-	-	(3,631)	-	(3,631)
Other comprehensive income (expense) for the period (net of tax)	-	-	-	-	18,376	1,114	-	19,490	739	20,229
Total comprehensive income (expense) for the period	-	-	-	-	18,376	1,114	(12,199)	7,291	3,157	10,448
Share-based compensation	-	-	-	10,999	-	-	-	10,999	-	10,999
Exercise of share options	1,000	6,340	-	-	-	-	-	7,340	-	7,340
Transfer upon exercise of share options	-	5,540	-	(5,540)	-	-	-	-	-	-
Issue of shares upon bonus issue	7,177	(7,177)	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	(14,353)	(14,353)	-	(14,353)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	2,000	2,000
At 30 June 2011	78,942	465,448	176,788	16,910	43,815	8,535	145,269	935,707	25,470	961,177

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Net cash used in operating activities	**(89,402)**	(157,683)
Net cash used in investing activities	**(15,224)**	(8,633)
Net cash generated from financing activities	**5,489**	146,637
Net decrease in cash and cash equivalents	**(99,137)**	(19,679)
Cash and cash equivalents at beginning of period	**414,079**	336,844
Cash and cash equivalents at end of period	**314,942**	317,165
Bank balances (general accounts) and cash	**314,942**	317,165

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 ("HKICPA"). 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

Except for the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 January 2012, 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 2011.

Amendments to HKFRS 1	Disclosures - Severe hyperinflation and removal of fixed dates for first-time adopters
Amendments to HKFRS 7	Disclosures - Transfers of financial assets
Amendments to HKAS 12	Deferred tax - Recovery of underlying assets

The adoption of these new and revised HKFRSs has no material impact on the Group's result and financial position for the current or prior periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 1	Government loans [1]
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities [1]
Amendments to HKFRS 7 and 9	Mandatory effective date and transition disclosures [2]
HKFRS 9	Financial instruments [2]
HKFRS 10	Consolidated financial statements [1]
HKFRS 11	Joint arrangements [1]
HKFRS 12	Disclosure of interests in other entities [1]
HKFRS 13	Fair value measurements [1]
Amendments to HKAS 1	Presentation of items of other comprehensive income [3]
HKAS 19 (as revised in 2011)	Employee benefits [1]
HKAS 27 (as revised in 2011)	Separate financial statements [1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures [1]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities [4]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine [1]

1 *Effective for annual periods beginning on or after 1 January 2013.*
2 *Effective for annual periods beginning on or after 1 January 2015.*
3 *Effective for annual periods beginning on or after 1 July 2012.*
4 *Effective for annual periods beginning on or after 1 January 2014.*

(3) Revenue

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

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Fees and commission income	**85,119**	110,983
Interest income	**11,021**	20,598
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**514,103**	522,047
	610,243	653,628

(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;
- principal investments of securities and options;
- provision of margin financing and money lending services;
- provision of corporate finance services; and
- sales of furniture and household goods and electrical appliances.

<u>Reportable and operating segments</u>

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. The Group's reportable and operating segments are financial services business and retailing business.

The following tables represent revenue and results information for the reportable and operating segments for the six months ended 30 June 2012 and 2011.

Segment revenue and result

Segment loss represents the loss incurred by each segment before net gain on investments held for trading, share-based compensation, share of profits of associates and unallocated expenses. This is the measure reported to the CEO for the purposes of resource allocation and assessment of performance.

For the six months ended 30 June 2012

	Financial services HK$'000	**Retailing HK$'000**	**Total HK$'000**
Revenue	**96,140**	**514,103**	**610,243**
RESULT			
Segment loss	**(18,122)**	**(1,587)**	**(19,709)**
Net gain on investments held for trading			**45,399**
Share-based compensation			**(562)**
Share of profits of associates			**8,254**
Unallocated expenses			**(60,125)**
Loss before taxation			**(26,743)**

For the six months ended 30 June 2011

	Financial services HK$'000	Retailing HK$'000	Total HK$'000
Revenue	131,581	522,047	653,628
RESULT			
Segment loss	(10,684)	(1,149)	(11,833)
Net gain on investments held for trading			66,865
Share-based compensation			(10,999)
Share of profits of associates			6,909
Unallocated expenses			(59,523)
Loss before taxation			(8,581)

Entity-wide disclosures

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC"). No analysis of the Group's revenue by geographical locations is disclosed because no significant portion of revenue from external customers are derived outside Hong Kong.

(5) Income tax expense

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Current tax:		
- Hong Kong Profits Tax	**1,900**	1,200

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction. No provision for the PRC income tax has been made as they incurred tax losses in both periods.

No deferred tax asset arising from tax losses brought forward has been recognised in the financial statements due to the uncertainty of future profit streams against which the asset can be utilised.

(6) Loss per share

The calculation of basic and diluted loss per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2012 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
Loss for the purposes of basic and diluted loss per share	**(31,532)**	(12,199)

	Unaudited Six months ended 30 June	
	2012	2011
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**3,919,062**	3,924,893

The weighted average number of ordinary shares for the purpose of basic loss per shares of 2011 has been adjusted retrospectively for the bonus shares issued on 25 May 2011.

For the period ended 30 June 2012, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

(7) Property and equipment

During the period, the Group spent approximately HK$14,873,000 (2011: HK$14,647,000) on the acquisitions of property and equipment.

(8) Accounts receivable

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts:		
Clearing houses, brokers and dealers	**30,324**	59,905
Cash clients	**48,778**	40,185
Margin clients	**198,753**	223,204
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**148**	148
Clearing houses, brokers and dealers	**307,530**	488,885
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**1,057**	859
Accounts receivable arising from the business of provision of corporate finance services	**100**	1,100
	586,690	814,286

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options and leveraged foreign exchange contracts are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of broking business.

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 (from the completion date of the services) is as follows:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
0 - 30 days	**691**	658
31 - 60 days	**159**	1,079
61 - 90 days	**152**	117
Over 90 days	**155**	105
	1,157	1,959

Loans to margin clients are secured by clients' pledged securities 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 2012 HK$'000	Balance at 30 June 2012 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2012 HK$'000
Directors of the Company				
Mr Cheng Man Pan Ben and associates	171	146	1,098	578
Ms Cheng Pui Lai Majone and associates	-	-	78	400
Substantial shareholders of the Company (Note 2)				
Cash Guardian Limited	-	-	-	1,515
Mr Kwan Pak Hoo Bankee and associates (Note 3)	-	-	44	378

Notes:

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

(2) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company.

(3) Mr Kwan Pak Hoo Bankee is also executive director of Net2Gather (China) Holdings Limited ("Net2Gather"), which is an indirect substantial shareholder of the Company.

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 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Loans receivable denominated in Hong Kong dollar	**67,339**	76,789
Less: Allowance for bad and doubtful debts	**(39,297)**	(32,297)
	28,042	44,492
Carrying amount analysed for reporting purposes:		
Current assets	**28,042**	44,492
Non-current assets	**-**	-
	28,042	44,492

(10) Accounts payable

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	**8,136**	824
Cash clients	**561,428**	485,497
Margin clients	**98,452**	112,617
Accounts payable to clients arising from the business of dealing in futures and options	**486,008**	621,968
Trade creditors arising from retailing business	**147,358**	165,234
	1,301,382	1,386,140

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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 is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$780,655,000 (2011: HK$694,525,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

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

The following is an aged analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
0 - 30 days	**48,814**	46,909
31 - 60 days	**47,790**	51,802
61 - 90 days	**32,353**	27,156
Over 90 days	**18,401**	39,367
	147,358	165,234

(11) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and loan from a non-controlling shareholder, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. The management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both periods.

Financial risk management objectives and policies

The Group's major financial instruments include equity investments, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, loan to an associate, loan from a non-controlling shareholder and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Equity price risk

The Group is exposed to equity price risk as a result of changes in fair value of its investments in equity securities. The directors of the Company manage the exposure by closely monitoring the portfolio of equity investments and imposing trading limits on individual trades.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed rate loans receivable and fixed rate obligations under finance leases. 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. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Rate and Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments.

Foreign currency risk

The group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks, loan to an associate and accounts payable to clients denominated in United Stated dollars ("USD") and Renminbi ("RMB"). The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors of the Company do not expect significant foreign exchange risk to the Group in view of the Hong Kong dollar pegged system to the USD.

Credit risk

As at 30 June 2012 and 30 June 2011, 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 trade debt on an individual and collective basis 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.

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.

(12) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.02 each at 1 January 2012 and 30 June 2012	0.02	15,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.02 each at 1 January 2012 and 30 June 2012	0.02	3,919,061	78,382

(13) Interim dividend

No interim dividend in respect of the six months ended 30 June 2012 and 30 June 2011 was declared by the Board.

(14) Related party transactions

In addition to the transactions and balance detailed in note (8), the Group had the following transactions with related parties:

	Notes	Unaudited Six months ended 30 June **2012** **HK$'000**	 2011 HK$'000
Commission and interest income received from the following wholly-owned subsidiary of Net2Gather	(a)		
Libra Capital Management (HK) Limited		**-**	221
Commission and interest income received from the following substantial shareholders with significant influence over the Company			
Cash Guardian Limited	(b)	**-**	2
Mr Kwan Pak Hoo Bankee and associates		**-**	87
		-	89
Commission and interest income received from the following directors of the Company			
Mr Law Ping Wah Bernard and associates		**5**	11
Mr Cheng Man Pan Ben and associates		**19**	16
Ms Cheng Pui Lai Majone and associates		**2**	-
		26	27
Loan interest income received from the following directors of the Company			
Mr Chan Chi Ming Benson		**37**	37
Mr Cheng Man Pan Ben		**37**	37
	(c)	**74**	74
Rental and building management expenses paid to Net2Gather	(a)	**2,070**	1,866

Notes:

(a) Net2Gather, an indirect substantial shareholder of the Company, has significant influence over the Group.

(b) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company.

(c) During the six months ended 30 June 2012, the Group derived interest income from loans to certain directors of the Company of approximately HK$74,000 (2011: HK$74,000).

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2012 (2011: nil).

REVIEW AND OUTLOOK

Financial Review

For the six months ended 30 June 2012, the Group recorded revenue of HK$610.2 million as compared to HK$653.6 million for the same corresponding period last year. Both of the financial services business (FSG) and the retail management business (CRMG) of the Group, had been ineluctably affected by the global challenging environment and uncertainty, amid the inflationary pressure in all aspects. Overall, the Group recorded a net loss of HK$28.6 million for the six months ended 30 June 2012 as compared to a net loss of HK$9.8 million for the same period last year.

Financial Services Business - FSG

In the first half of 2012, the global economic conditions continued to deteriorate. The consequences unleashed by the unresolved euro zone debt crisis posted a downside risk on the global economy and affected the already lacklustre investment sentiment. The recent announcement of the Chinese government to adjust the 2012 GDP growth forecast to 7.5% from 8%, the first time in the past eight years, indicated that China's economy is slowing down. Under such a challenging macro-economic environment, investors have been reducing their exposures in equities. As a result, the average daily turnover for the first six months of 2012 was approximately HK$56.7 billion, representing a plunge of 23% as compared with HK$73.6 billion for the same period last year. The vulnerable investment sentiment together with the surge of operating costs all impacted on us. Overall, for the six months ended 30 June 2012, FSG recorded revenue of HK$96.1 million and a net loss of HK$18.1 million as compared to revenue of HK$131.6 million and a net loss of HK$10.7 million for the last corresponding period. The Group will continue to pursue its growth strategy despite the volatile market and increasing operating costs amidst the inflationary environment.

Retail Management Business - CRMG

Rising operating costs posed the biggest challenge to the Group's retail management business. The skyrocketing rental cost, coupled with the inflationary pressure in all aspects, added to CRMG's operating costs and further eroded into CRMG's profit margin. Worse still, measures imposed by the government to tame the soaring housing prices had hit the property market hard, which inevitably dragged our furniture sales. Total number of transactions for residential property dropped remarkably by about 25% in the first half of 2012, as compared with the same corresponding period last year. Notwithstanding the challenging business environment, CRMG continued to launch a number of new products and services that brought good sales performance, in particular the Tailor Made Furniture (TMF) services. In addition, CRMG has stepped up its cost rationalisation measures to maintain our cost leadership approach. Despite the gloomy economic outlook, our Hong Kong retailing business still recorded a profit of HK$8.3 million for the first half of the year. CRMG's retailing business in mainland China is still in its early investment phase and has yet to make any profit contribution to CRMG. Overall, for the six months ended 30 June 2012, CRMG managed to record revenue of HK$514.1 million, a slight 1.5% decrease as compared to revenue of HK$522.0 million for the same period last year. A net loss of HK$1.6 million was recorded as compared to a net loss of HK$1.1 million for the last corresponding period.

Liquidity and Financial Resources

The Group's total equity amounted to HK$929.2 million as at 30 June 2012 as compared to HK$961.1 million as at 31 December 2011. The change was the combined result of the decrease in retained earnings due to the reported loss for the period under review and dividend paid to a non-controlling shareholder.

As at 30 June 2012, the Group had total bank borrowings of approximately HK$322.1 million, of which all of them in form of bank loans.

Among the above bank borrowings, HK$107.0 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$146.8 million were secured by the investment properties, pledged deposits and part of the investments held for trading respectively. The remaining bank borrowings were unsecured.

As at 30 June 2012, our cash and bank balances including the trust and segregated accounts totalled HK$1,175.6 million as compared to HK$1,188.6 million at the end of the previous year.

Total deposits of HK$62.9 million were pledged as securities for a standby letter of credit facility and bank guarantees granted by banks to the Group. 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$17.2 million was held for this purpose.

The liquidity ratio as at 30 June 2012 remained healthy at 1.2 times, being the same level as at 31 December 2011. The gearing ratio as at 30 June 2012, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 34.7% from 32.1% as at 31 December 2011. The increase was due to increase in bank borrowings moderately and reduction in equity as a result of loss making during the period. 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

During the period under review, the Group did not make any material acquisitions or disposals.

Capital Commitment

As at 30 June 2012, the Group did not have any material outstanding capital commitment.

Material Investments

As at 30 June 2012, the Group was holding a portfolio of listed investments with market values of approximately HK$116.3 million. The net gain derived from listed investments and the securities dealing business totally of HK$45.4 million was recorded for the period.

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

Industry and Market Review

The euro zone debt crisis continues to reshape the political landscape of Europe which seemed to have reached a new height of urgency in the first half of 2012, the global economic recovery momentum remained volatile. The first half of 2012 was an extremely tough period for global risky assets, mainly due to increased speculation on Greece's possible exit of the euro bloc and a sudden deterioration of Spanish financial assets. In response to the slowdown in China's growth and the stagnant US economic performance, oil price plunged. Despite the increase of Hang Seng Index by 5.46% during the period, Hong Kong equities continued to underperform A shares and the US stock market. Average daily turnover during the period plummeted by 23% at HK$56,697 million.

Global IPO activities saw an improvement in the second quarter of 2012, having a total of 206 deals, raising US$41.8 billion, an increase of 5% by deal numbers and 141% by capital size as compared to the first quarter of 2012. However, when compared with the first half of the previous year, both deal numbers and total capital raised were down by 46% and 36%, respectively. Corporate confidence was improving, despite its slow rate.

The first half of 2011 represents the best half-year performance in terms of proceeds raised in 10 years and Hong Kong ranked No.2 in terms of IPO funds raised globally. In the first half of 2012, Hong Kong raised HK$31 billion through 31 IPO deals, while Shanghai raised RMB$24 billion over IPO 16 deals. Chinese IPO activity has shown a striking slowdown due to the uncertain global economy and the unresolved euro zone debt crisis. Both investors and issuers were becoming more and more cautious in light of the gloomy market outlook.

In China, the economy continued to decelerate in the second quarter of 2012. China's GPD shrunk to 7.6% year-on-year in the second quarter from 8.1% in the first quarter. Continued with the development in the 12th Five-Year Plan, supportive measures, notably, lower interest rates and more infrastructure spending, were implemented to curb the downslide.

Business Review

Financial Services Business - FSG

Broking

In the first half of the year, the global economy was characterized with wavering growth amidst negative development of euro zone credit crisis. Investors tended to be more risk-averse and became bearish towards both the equities and the commodities markets. As a consequence, market trading volume dropped by 22.2%. Notwithstanding the shrinking trading volume and reduced trading activities in the domestic equities market, the Group noted moderate growth in trading volume and revenue in the commodities brokerage business. The increase was attributed to the steady rise in the number of mainland clients as a result of our relentless marketing and client acquisition effort targeted towards the mainland market. Overall, the Group's broking business recorded operating revenue of HK$96.1 million in the reporting period, decreasing 27.0% over the same period last year.

During the period, the Group continued to develop its mobile trading business by designing functional and cutting-edge stock trading apps on mobile and tablet devices. Instant market information and analysis are provided to clients to facilitate their trade anytime, anywhere without limit. In addition, we will continue to improve our online trading platform, providing clients with faster, more accurate and more stable trading channel to meet their needs.

The Group continued to receive wide recognition in mainland China by media and investors. We received the "Most Popular Hong Kong Brokerage Institution" awards from three major mainland media, namely QQ.com, China Finance Online and Money Weekly magazine. We will continue to dedicate resources in the mainland to pave the way for the eventual opening up of the market.

Wealth Management

During the period, our portfolio management service performed well compared to its relative benchmarks despite the unsettled investment climate worldwide. Thanks to our disciplined investment style. We strive to increase the assets under management in order to diversify our income sources and smooth out revenue volatility. More importantly, we aim to transform the business model from sales- to service-oriented as the market matures.

We will focus on recruiting seasoned and professional salespersons to complement our market strategy. We will continue to allocate resources efficiently to develop the China market with a view to significantly growing new business from this underdeveloped segment. In so doing, we will leverage on the existing platform in China and expand our presence in the Southern provinces.

Asset Management

The slowdown in China's economic growth and the unsettled euro zone debt crisis dragged the performance of both China and Hong Kong stock markets. In our opinion, the Hong Kong stock market is currently trading at around 10 times prospective 2012 P/E and around 3% dividend yield. We believe that the present valuation is attractive and undemanding. We anticipate that most negative factors such as economic slowdown in China and the uncertainty of the euro zone debt crisis have already been reflected in the share prices. Further downside risk of the market is limited unless China's economy is going into the hard-landing situation and the euro zone debt crisis further deteriorates.

During the uncertain market condition, we focused on equities with attractive valuation and stable dividend yield. Meanwhile, we shunned sectors affected by the euro zone debt crisis and Chinese economic slowdown. Overall, we are positive on local property and mainland property sectors and negative on raw materials and new energy sectors. Our Asset under Management (AUM) rose by approximately 3% in the first half of 2012.

China's inflation rate has been kept under control. Looking forward, we expect the PRC government to release quantitative easing policy in the second half of 2012 such as reducing the required reserve ratio and interest rate, in order to provide more liquidity in the market to stimulate economic growth. We expect the Hong Kong stock market to maintain sideline movement until China's economic growth is confirmed to bottom out. We believe that our AUM and revenue such as performance fee and management fee will remain stable in the second half of 2012.

Investment Banking

Negative market sentiment impacted the IPO market adversely in 2011. Such unfavourable market condition continued in first half of 2012, reflected by a significant drop in the total fund raised through IPOs in Hong Kong by more than 80% as compared with the same period in 2011.

Notwithstanding the prevailing lacklustre market sentiment, we have been appointed as the sponsor to certain IPO applicants who target to launch their IPOs later this year or in 2013, subject to the progress of IPO applications and the then market conditions. In addition to IPO projects, we also participated in a number of corporate transactions to act as financial advisor/independent financial advisor, including Guangzhou Pharmaceutical Company Limited (its A shares are also listed on the SSE) in respect of its major assets reorganisation, absorption merger of another listed company in Shenzhen; and Hang Ten Group Holdings Limited regarding a general offer.

It is expected that the market conditions will likely stay sombre in the coming quarters, we are going to maintain our proven strategy to have a balanced focus on IPOs and other financial advisory and corporate transactions in the near future for the purpose of diversifying our business and income streams.

China Development

Despite the fact that China experienced certain hiccups in its economic growth during the first half of this year, the Group remains committed to developing the market with a view to maintaining the growth momentum.

During the period, we continued with our three-pronged development strategy to (1) build brand awareness, (2) gather database, and (3) establish network. We worked with our mainland media partners to make extensive market commentaries across TV, radio and print media to promote our brand. We organised market seminars with an aim to educate and offer more information for the local investing public.

Looking forward, we will continue to expand our coverage by establishing points of presence in areas which we believe offer significant potential for business development over the medium term. While we work closely with our business partners to prepare for and develop the cross-border market, we will seek to form new alliances with more local institutions. Our objective is to continue to build networks and connections in preparation for the eventual opening up of the market.

Retail Management Business - CRMG

Pricerite Operation Review

In the first half of 2012, Hong Kong economy faced more challenges from both internal and external. Yet, Pricerite has made relentless effort to execute its strategic plan as set with prudence to achieve a satisfactory progress in operating profit in Hong Kong operations.

During the period, we have opened our super mega store at Mongkok with a floor area of more than 30,000 square feet, aiming to offer our customers with a one-stop shopping experience by providing a comprehensive range of stylish and innovative home furnishing solutions. The new store successfully captures an increased number of young and sophisticated customers who pursue higher living quality. As we continued with the store rejuvenation programme, we have revamped a number of stores, offering a more comprehensive and tailored product assortment and services to better serve the needs of our customers. To expand our reach, we have organised several roadshows to offer customers a wide range of great value for money branded home appliances and home theatre (TV & AV) items.

To enhance our product assortment, our merchandising and product development team developed and introduced a number of innovative products and solutions. For instance, we have expanded to include 7 tailor-made furniture (TMF) centres to serve the growing demand of the service. In addition to TMF, we have recently launched the MUSE bedroom wardrobe system, which offers a wide range of wardrobe parts and components, enabling customers to design their own wardrobe compartments to fit their specific needs in organizing clothes and accessories. In certain flagship stores, we introduced some new home furnishing product categories, such as decorative lightings and tailored wallpaper for customers to personalise their living space. To strengthen in-store communication and enhance customer shopping experience, we have adopted QR codes in selected products to provide voice presentation of product features and benefits via customers' smart phones.

With tremendously growing popularity of the new electronic media, Pricerite has gained more presence from the e-community since the launch of our official Facebook homepage and online shop respectively in 2011 and 2012. We have successfully acquired 15,000 Facebook fans and seen accelerating growth in our online shop visits every month. These electronic platforms help build our brand awareness to the relative younger clientele and enable round-the-clock shopping to cater for the hectic yet quality lifestyles of customers in Hong Kong and the Southern China.

Recognised for our service quality, we have again won the Outstanding Young Salesperson Award (OYSA) held by the Hong Kong Management Association during the period, which praised our commitment to excellent service quality.

In Guangzhou, China, 生活經艷 has squarely focused on creating modern, stylish and affordable shopping environment to customers and has been gradually building up its brand awareness and business momentum, as evidenced by the steady growth in both sales turnover and ticket size during the past months.

In the second half of 2012, while we are aware of the greater external uncertainties due to the deepened financial woes from both US and Europe and the slowdown of China market, we are cautiously seeking market opportunities arising from the changing economic landscape. We are optimistic on sustaining business growth with our strong management capabilities and solid foundation.

Outlook

The previous months had been challenging for the world economy, which is likely to be followed by an equally, if not more, challenging 2012 for Asian economies. The debt crisis in peripheral Europe, a renewed sluggish recovery in the US, and anemic growth in Japan will continue to cast doubt on the world economy. The year 2012 is likely to mark the fourth year of a sluggish recovery of the US economy from the 2008 recession.

The ongoing economic crisis has called into question many of the fundamentals of the world economic system. While in the short term, the European uncertainty and the fear of China’s economic slowdown are likely to generate significant market volatility, recent events however have seen dramatic political shifts in the peripheral euro zone nations, especially that of Greece and Italy. The situation in Greece is stabilising, and reforms are expected to be boosted to remove the country from the spotlight. For the rest of the emerging Asia, it is believed that economic growth will continue to be slow but the real interest rate should remain low and domestic demand should still be robust.

Overall, the state of the Hong Kong equity market will hinge on the unfolding of the euro zone debt crisis, the quantum of China’s quantitative easing policy, the elections and administrative changes in key countries, and aggressive competition from other bourses. If the threat of a systematic event in Europe continues to fade, we believe that the rest of 2012 may offer significant upside potential for the world economy. A rebound in China’s growth and a continued recovery in the US economy offset a likely recession in Europe.

Corporate Strategy

Facing with uncertainties and ever-growing market competition, the Group endeavours to maintain our competitive leading position as a technology-driven, fully-fledged financial services company while maintaining a good balance among different products and services. We will continue to focus on improving our electronic trading platform to accommodate the versatile needs of our clients in Hong Kong and mainland China. We have embarked on initial development of various electronic and mobile trading platforms and will continue to make further investment in IT infrastructures to improve the efficiency of our trading facilities. The continued internationalisation of RMB serves as a catalyst as more mainland enterprises continue to tap into the Hong Kong market to go global. The Group will consistently develop our RMB market capability to facilitate mainland market connectivity and to capitalise on each and every opportunity ahead.

EMPLOYEE INFORMATION

As at 30 June 2012, the Group had 1,271 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$124.8 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, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2012, 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) Long positions in the ordinary shares of HK$0.02 each of the Company

		Number of shares		
Name	Capacity	Personal	Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	-	1,725,160,589*	44.02
Chan Chi Ming Benson	Beneficial owner	55,000,000	-	1.40
Law Ping Wah Bernard	Beneficial owner	27,506,160	-	0.70
Cheng Man Pan Ben	Beneficial owner	29,337,000	-	0.75
Lo Kwok Hung John	Beneficial owner	2,095,500	-	0.05
		113,938,660	1,725,160,589	46.92

* The shares were held as to 1,657,801,069 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by Net2Gather), and as to 67,359,520 shares by Cash Guardian Limited ("Cash Guardian") (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee ("Mr Kwan")). Pursuant to the SFO, Mr Kwan was and deemed to be interested in a total of 32.00% shareholding interest in Net2Gather, details of which are disclosed in the heading of "Substantial shareholders" below. Mr Kwan was deemed to be interested in all these shares in the Company held by CIGL and Cash Guardian as a result of his interests in Net2Gather and Cash Guardian pursuant to the SFO.

Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares were charged under the Share Charges (as defined hereunder). Details of such shareholding interests are disclosed in the heading of "Substantial shareholders" below.

(b) Long positions in the underlying shares of the Company - 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 2012 and 30 June 2012	Percentage to issued shares as at 30 June 2012 (%)
Kwan Pak Hoo Bankee	15/10/2010	15/10/2010 - 31/10/2012	(1),(2)(B)(ii)&(3)	0.2764	22,000,000	0.56
Chan Chi Ming Benson	15/6/2009	15/6/2009 - 30/6/2013	(2)(A)(i)	0.1335	16,500,000	0.42
	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(ii)&(3)	0.2764	33,000,000	0.84
Law Ping Wah Bernard	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(ii)&(3)	0.2764	33,000,000	0.84
Cheng Man Pan Ben	15/6/2009	15/6/2009 - 30/6/2013	(2)(A)(i)	0.1335	16,500,000	0.42
	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(ii)&(3)	0.2764	11,000,000	0.28
Cheng Pui Lai Majone	15/10/2010	15/10/2010 - 31/10/2013	(2)(B)(iii)	0.2764	5,500,000	0.14
Cheng Shu Shing Raymond	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(i)	0.2764	2,750,000	0.07
Lo Kwok Hung John	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(i)	0.2764	2,750,000	0.07
Lo Ming Chi Charles	15/10/2010	15/10/2010 - 31/10/2012	(2)(B)(i)	0.2764	5,500,000	0.14
					148,500,000	3.78

Notes:

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

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

(i) 2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013.

(B) Options granted on 15 October 2010

(i) 2 tranches as to (a) 50% exercisable from 15 October 2010 up to 31 October 2012; and (b) 50% exercisable from 15 October 2011 up to 31 October 2012; or

(ii) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012; or

(iii) 3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013.

(3) The vesting of certain options is subject to the grantee having been with members of the Group for 14 months from the date of grant.

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

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

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

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2012 (%)
Kwan Pak Hoo Bankee	1,725,160,589	22,000,000	1,747,160,589	44.58
Chan Chi Ming Benson	55,000,000	49,500,000	104,500,000	2.66
Law Ping Wah Bernard	27,506,160	33,000,000	60,506,160	1.54
Cheng Man Pan Ben	29,337,000	27,500,000	56,837,000	1.45
Cheng Pui Lai Majone	-	5,500,000	5,500,000	0.14
Cheng Shu Shing Raymond	-	2,750,000	2,750,000	0.07
Lo Kwok Hung John	2,095,500	2,750,000	4,845,500	0.12
Lo Ming Chi Charles	-	5,500,000	5,500,000	0.14
	1,839,099,249	148,500,000	1,987,599,249	50.70

Save as disclosed above, as at 30 June 2012, 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 2012 were as follows:

Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options: outstanding as at 1 January 2012	lapsed during the period (Note (4))	outstanding as at 30 June 2012
Directors						
15/6/2009	15/6/2009 - 30/6/2013	0.1335	(1)&(2)(A)(i)	33,000,000	-	33,000,000
15/10/2010	15/10/2010 - 31/10/2012	0.2764	(1), 2(C)(ii)&3(ii)	99,000,000	-	99,000,000
	15/10/2010 - 31/10/2012	0.2764	(1)&2(C)(i)	11,000,000	-	11,000,000
	15/10/2010 - 31/10/2013	0.2764	(1)&2(C)(iii)	5,500,000	-	5,500,000
				148,500,000	-	148,500,000
Employees and consultants						
15/6/2009	15/6/2009 - 30/6/2013	0.1335	(2)(A)(i)	16,500,000	-	16,500,000
	15/6/2009 - 30/6/2013	0.1335	(2)(A)(ii)	42,900,000	-	42,900,000
22/6/2009	22/6/2009 - 30/6/2013	0.1309	(3)(i)	82,500,000	-	82,500,000
3/6/2010	3/6/2010 - 31/5/2012	0.1145	(2)(B)(i)	68,750,000	(68,750,000)	-
15/10/2010	15/10/2010 - 31/10/2012	0.2764	2(C)(ii)&(3)(ii)	38,500,000	-	38,500,000
	15/10/2010 - 31/10/2012	0.2764	3(i)&(iii)	99,000,000	-	99,000,000
	15/10/2010 - 31/10/2013	0.2764	2(C)(iii)	8,250,000	-	8,250,000
	15/10/2010 - 31/10/2013	0.2764	2(C)(iv)&(3)(ii)	5,500,000	-	5,500,000
22/11/2010	22/11/2010 - 31/11/2012	0.4636	(3)(i)&(iii)	66,000,000	-	66,000,000
1/2/2011	1/2/2011 - 31/12/2013	0.4318	(3)(i)&(iii)	77,000,000	-	77,000,000
				504,900,000	(68,750,000)	436,150,000
				653,400,000	(68,750,000)	584,650,000

Notes:

(1) Details of the options granted to the directors of the Company are set out in the section headed "Directors' interests in securities" above.

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

(i) 2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013; or

(ii) 3 tranches as to (a) 30% exercisable from 15 June 2010 up to 30 June 2013; (b) 30% exercisable from 15 June 2011 up to 30 June 2013; and (c) 40% exercisable from 15 June 2012 up to 30 June 2013.

(B) Options granted on 3 June 2010

(i) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 May 2012; and (b) 50% exercisable from 1 January 2012 up to 31 May 2012.

(C) Options granted on 15 October 2010

(i) 2 tranches as to (a) 50% exercisable from 15 October 2010 up to 31 October 2012; and (b) 50% exercisable from 15 October 2011 up to 31 October 2012; or

(ii) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012; or

(iii) 3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013; or

(iv) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2013.

(3) The vesting of certain options is subject to:

(i) provision of satisfactory services as determined at the sole discretion of the Board; or

(ii) the grantee having been with members of the Group for 14 months from the date of grant; or

(iii) within 7 days upon completion of services as determined at the sole discretion of the Board.

(4) The options were lapsed on 31 May 2012 due to expiry of the options.

(5) No option was granted or cancelled during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, 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 *(Notes (1) & (2(i)))*	Interest in a controlled corporation	1,725,160,589	44.02
Cash Guardian *(Notes (1) & (2)(i))*	Interest in a controlled corporation	1,725,160,589	44.02
Net2Gather *(Notes (1) & (2)(i))*	Interest in a controlled corporation	1,657,801,069	42.30
Praise Joy Limited *(Notes (1) & (2)(i))*	Interest in a controlled corporation	1,657,801,069	42.30
CIGL *(Notes (1) & (2)(i))*	Beneficial owner	1,657,801,069	42.30
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") *(Note (3))*	Interest in a controlled corporation	315,131,640	8.04
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") *(Note (3))*	Beneficial owner	315,131,640	8.04

Notes:

(1) This refers to the same number of 1,725,160,589 shares which were held as to 1,657,801,069 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by Net2Gather) and as to 67,359,520 Shares by Cash Guardian. Net2Gather was owned as to a total of approximately 32.00% by Mr Kwan, being approximately 31.91% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited), which in turn was 100% beneficially owned by Mr Kwan and approximately 0.09% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the shares held by CIGL through Net2Gather and Cash Guardian. The above interest has already been disclosed as corporate interest of Mr Kwan in the section headed "Directors' interests in securities" above.

(2) (i) Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares (43.56%) were charged under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited ("Wah Sun") ("Share Charges"). Wah Sun was controlled (1) as to 50% by Lam Hok Chung Rainier, Jong Yat Kit, Joseph Lo Kin Ching and Lai Kar Yan as joint and several administrators of the Estate of Kung, Nina; and (2) as to 50% by Hyper Chain Limited (which was wholly controlled by Lam Hok Chung Rainier and Jong Yat Kit as joint and several administrators of the Estate of Kung, Nina).

(ii) In addition, Hampstead Trading Limited and Diamond Leaf Limited held 99,644,160 shares (2.54%) and 7,656,742 shares (0.19%) respectively in the Company. Both companies were wholly controlled by Lam Hok Chung Rainier and Jong Yat Kit as joint and several administrators of the Estate of Kung, Nina.

Together with the interests of Wah Sun in 1,707,220,589 shares (43.56%) in the Company under the Share Charges as disclosed in (2)(i) above, the Estate of Kung, Nina also known as Nina T.H. Wang was deemed to be interested in a total of 1,814,521,491 shares (46.29%) in the Company pursuant to the SFO.

(3) This refers to the same number of 315,131,640 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.

Save as disclosed above, as at 30 June 2012, 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 2012 to 30 June 2012, 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, except for the deviations summarised as follows:

The Company does not have a nomination committee as provided for in code provision A.5. At present, the Company does not consider it necessary to have a nomination committee as its function has been performed by the Board under administration of the internal nomination policy. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors.

The Chairman of the Board, Mr Kwan Pak Hoo Bankee, was unable to attend the annual general meeting ("AGM") of the Company held in May 2012 as provided for in code provision E.1.2 as he was on an overseas engagement.

In addition, the independent non-executive directors of the Company, Mr Cheng Shu Shing Raymond and Mr Lo Kwok Hung John, were unable to attend the AGM as provided for in code provision A.6.7 as they were on overseas engagement and other business engagement respectively.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2012.

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 2012 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 2012, 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, 24 August 2012

As at the date of this announcement, 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
Ms Cheng Pui Lai Majone

Independent non-executive directors:

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