時富金融
CFSG

a leading financial services provider with global perspective in China

CASH Financial Services Group Limited
(Stock Code: 510)

Interim Results 2011

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 2011 together with the comparative figures for the last corresponding period are as follows:

	Notes	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000 (restated)
Revenue	(3)	**653,628**	609,156
Other income		**3,129**	2,801
Cost of sales for retailing business		**(308,317)**	(276,355)
Salaries, commission and related benefits		**(191,908)**	(135,702)
Depreciation		**(25,714)**	(22,536)
Finance costs		**(7,265)**	(7,722)
Other operating and administrative expenses		**(205,908)**	(183,284)
Net gain on financial assets at fair value through profit or loss		**66,865**	19,420
Share of profits of associates		**6,909**	3,087
(Loss) profit before taxation		**(8,581)**	8,865
Income tax expense	(5)	**(1,200)**	(500)
(Loss) profit for the period		**(9,781)**	8,365
Other comprehensive income (expense)			
Exchange differences arising on translation of foreign operations		**1,853**	93
Gain on revaluation of leasehold land and building		**22,007**	600
Income tax relating to the gain on revaluation of leasehold land and building		**(3,631)**	—
Other comprehensive income for the period, net of tax		**20,229**	693
Total comprehensive income for the period		**10,448**	9,058

	Note	Unaudited Six months ended 30 June 2011 HK$'000	 2010 HK$'000 (restated)
(Loss) profit for the period attributable to:			
Owners of the Company		(12,199)	7,285
Non-controlling interests		2,418	1,080
		(9,781)	8,365
Total comprehensive income attributable to:			
Owners of the Company		7,291	7,978
Non-controlling interests		3,157	1,080
		10,448	9,058
(Loss) earnings per share for (loss) profit attributable to the owners of the Company during the period	(6)		
— Basic		HK(0.3) cent	HK0.2 cent
— Diluted		N/A	HK0.2 cent

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Non-current assets			
Property and equipment	(7)	199,850	188,909
Investment properties		89,967	89,967
Goodwill		2,661	2,661
Intangible assets		321,059	321,059
Other assets		18,336	14,851
Rental and utility deposits		27,723	24,959
Interests in associates		133,531	124,512
Loan to an associate		10,296	10,296
Deferred tax assets		4,100	4,100
		807,523	781,314
Current assets			
Inventories		50,444	48,948
Accounts receivable	(8)	962,316	707,076
Loans receivable	(9)	35,792	13,017
Prepayments, deposits and other receivables		58,800	43,651
Amounts due from related companies		—	334
Investments held for trading		41,135	42,435
Bank deposits subject to conditions		58,753	68,252
Bank balances — trust and segregated accounts		627,157	697,060
Bank balances (general accounts) and cash		317,165	336,844
		2,151,562	1,957,617

	Notes	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Current liabilities			
Accounts payable	(10)	1,213,286	1,172,594
Accrued liabilities and other payables		101,552	83,448
Taxation payable		8,021	9,378
Obligations under finance leases — amount due within one year		428	382
Bank borrowings — amount due within one year		545,936	402,491
Loan from a non-controlling shareholder		27,437	27,437
		1,896,660	1,695,730
Net current assets		254,902	261,887
Total assets less current liabilities		1,062,425	1,043,201
Non-current liabilities			
Deferred tax liabilities		67,317	63,686
Obligations under finance leases — amount due after one year		349	552
Bank borrowings — amount due after one year		33,582	34,220
		101,248	98,458
Net assets		961,177	944,743
Capital and reserves			
Share capital	(12)	78,942	70,765
Reserves		856,765	853,665
Equity attributable to the owners of the Company		935,707	924,430
Non-controlling interests		25,470	20,313
Total equity		961,177	944,743

Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2011									
	Equity attributable to the owners of the Company									
	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
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)
Other comprehensive income (expense) for the period										
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)
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

	Unaudited Six months ended 30 June 2010									
	Equity attributable to the owners of the Company									
	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
At 1 January 2010	61,711	381,045	276,788	7,072	—	5,343	20,105	752,064	17,752	769,816
Profit for the period	—	—	—	—	—	—	7,285	7,285	1,080	8,365
Other comprehensive income for the period										
Exchange differences arising on translation of foreign operations	—	—	—	—	—	93	—	93	—	93
Gain on revaluation of leasehold land and building	—	—	—	—	600	—	—	600	—	600
Total comprehensive income for the period	—	—	—	—	600	93	7,285	7,978	1,080	9,058
Share-based compensation	—	—	—	2,997	—	—	—	2,997	—	2,997
At 30 June 2010	61,711	381,045	276,788	10,069	600	5,436	27,390	763,039	18,832	781,871

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2011 HK$'000	 2010 HK$'000
Net cash used in operating activities	(157,683)	(156,040)
Net cash (used in) generated from investing activities	(8,633)	133,204
Net cash generated from (used in) financing activities	146,637	(25,596)
Net decrease in cash and cash equivalents	(19,679)	(48,432)
Cash and cash equivalents at beginning of period	336,844	253,243
Cash and cash equivalents at end of period	317,165	204,811
Bank balances (general accounts) and cash	317,165	204,811

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 of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and by the Hong Kong Companies Ordinance.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2010.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("Int") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 January 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendments)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendments)	Amendments to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendments)	Amendments to HK(IFRIC) — Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of these new and revised standards, amendments and interpretations does not have material impact on the consolidated interim financial statements and does not result in substantial changes to the Group's accounting policies.

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

HKFRS 1 (Amendment)	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [1]
HKFRS 7 (Amendment)	Amendments to HKFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets [1]
HKFRS 9	Financial Instruments [4]
HKFRS 10	Consolidated Financial Statements [4]
HKFRS 11	Joint Arrangements [4]
HKFRS 12	Disclosure of Interests in Other Entities [4]
HKFRS 13	Fair Value Measurements [4]
HKAS 1 (Revised)	Presentation of Financial Statements [3]
HKAS 12 (Amendments)	Amendments to HKAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets [2]
HKAS 19 (2011)	Employee Benefits [4]
HKAS 27 (2011)	Separate Financial Statements [4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures [4]

[1] *Effective for annual periods beginning on or after 1 July 2011*
[2] *Effective for annual periods beginning on or after 1 January 2012*
[3] *Effective for annual periods beginning on or after 1 July 2012*
[4] *Effective for annual periods beginning on or after 1 January 2013*

The Group is in the process of making an assessment on the impact of these new and revised standards, amendments or interpretations upon initial application. So far, the directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(3) Revenue

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

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Fees and commission income	**110,983**	111,098
Interest income	**20,598**	13,725
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**522,047**	484,333
	653,628	609,156

(4) Business and geographical segments

Business segments

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.

Operating and Reportable segments

Information reported to the board of directors 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 operating and reportable segments under HKFRS 8 "Operating Segments" are financial services business and retailing business.

The following tables represent revenue and results information for the two reportable segments for the six months ended 30 June 2011 and 2010.

Segment revenue and results

For the six months ended 30 June 2011

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Consolidated HK$'000
Reportable segment revenue				
From external customers	131,581	522,047	653,628	
Reportable segment loss	(10,684)	(1,149)	(11,833)	
Net gain on financial assets at fair value through profit and loss				66,865
Share-based compensation				(10,999)
Share of profits of associates				6,909
Unallocated corporate expenses				(59,523)
Loss before taxation				(8,581)

For the six months ended 30 June 2010

	Financial services HK$'000	Retailing HK$'000	Reportable segment total HK$'000	Consolidated HK$'000
Reportable segment revenue				
From external customers	124,823	484,333	609,156	
Reportable segment profit	1,979	6,254	8,233	
Net gain on financial assets at fair value through profit and loss				19,404
Share-based compensation				(2,996)
Share of profits of associates				3,086
Unallocated corporate expenses				(18,862)
Profit before taxation				8,865

Segment result represents the profit before taxation earned or loss incurred by each segment before net gain or loss on financial assets at fair value through profit and loss, share-based compensation, share of profits of associates and unallocated corporate expenses. This is the measure reported to the board of directors for the purposes of resource allocation and assessment of performance.

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China. 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	
	2011 HK$'000	2010 HK$'000
Current tax:		
— Hong Kong Profits Tax	**1,200**	500

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 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 unpredictability of future profit streams against which the asset can be utilised.

(6) **(Loss) earnings per share**

The calculation of basic and diluted (loss) earnings per share attributable to the owners of the Company for the six months ended 30 June 2011 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June 2011 HK$'000	 2010 HK$'000
(Loss) profit for the purposes of basic and diluted (loss) earnings per share	(12,199)	7,285

	Unaudited Six months ended 30 June 2011	 2010 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	3,924,893,268	3,394,094,585
Effect of dilutive potential ordinary shares: Share options	—	33,255,950
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	3,924,893,268	3,427,350,535

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per shares has been adjusted retrospectively for the effect of share subdivision on 23 December 2010 and the bonus shares issued on 25 May 2011.

Diluted loss per share for the period ended 30 June 2011 was not presented because the exercise of the Company's share options were anti-dilutive.

(7) Property and equipment

During the period, the Group spent approximately HK$14,647,000 (2010: HK$16,828,000) on the acquisitions of property and equipment.

The fair value of the Group's leasehold land and building as at 30 June 2011 of HK$91,100,000 (31 December 2010: HK$70,000,000) was arrived at on a valuation carried out by Knight Frank Petty Limited, an independent qualified professional valuer not connected with the Group. The valuation for both period ends were arrived at by reference to market evidence of transaction prices for similar properties.

(8) Accounts receivable

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities and leveraged foreign exchange contracts:		
Clearing houses, brokers and dealers	**49,536**	49,989
Cash clients	**118,741**	66,698
Margin clients	**460,779**	369,598
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**141**	142
Clearing houses, brokers and dealers	**329,346**	218,630
Commission receivable from brokerage of mutual funds and insurance-linked investment products	**2,334**	1,099
Accounts receivable arising from the business of provision of corporate finance services	**1,439**	920
	962,316	707,076

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, 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 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Within 30 days	**2,007**	833
31–60 days	**837**	165
61–90 days	**190**	84
Over 90 days	**739**	937
	3,773	2,019

Loans to margin clients are secured by clients' pledged securities at fair values of approximately HK$1,184,005,000 (2010: HK$1,149,499,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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

Name	Balance at 1 January 2011 HK$'000	Balance at 30 June 2011 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2011 HK$'000
Directors of the Company				
Mr Chan Chi Ming Benson and Associates	—	—	—	14,223
Mr Law Ping Wah Bernard and Associates (Notes 2 and 3)	—	—	20,045	10,028
Mr Cheng Man Pan Ben and Associates	170	—	2,905	8,439
Ms Cheng Pui Lai Majone and Associates (Note 4)	—	—	—	422
Mr Yuen Pak Lau Raymond and Associates (Note 4)	—	—	—	13,003
Substantial shareholder of the Company				
Libra Capital Management (HK) Limited (Notes 2 and 5)	—	5,477	17,239	8,847
Substantial shareholders of Net2Gather (Note 2)				
Cash Guardian Limited (Notes 2 and 6)	—	—	4,356	8,020
Mr Kwan Pak Hoo Bankee and Associates (Notes 2, 3 and 6)	—	—	3,146	—

Notes:

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

(2) Net2Gather (China) Holdings Limited ("Net2Gather") is the indirect substantial shareholder of the Company.

(3) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also directors of Net2Gather.

(4) Ms Cheng Pui Lai Majone was appointed as an executive director of the Company and Mr Yuen Pak Lau Raymond resigned as an executive director of the Company both with effect from 1 June 2011. The above balance/amount of Ms Cheng was for the period from 1 June 2011 to 30 June 2011.

(5) Libra Capital Management (HK) Limited is a wholly-owned subsidiary of Net2Gather.

(6) Cash Guardian Limited is the substantial shareholder of Net2Gather.

(7) 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 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Loans receivable denominated in		
Hong Kong dollar	**39,389**	16,614
Less: Allowance for bad and doubtful debts	**(3,597)**	(3,597)
	35,792	13,017
Carrying amount analysed for reporting purposes:		
Current assets	**35,792**	13,017
Non-current assets	**—**	—
	35,792	13,017

(10) Accounts payable

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	—	5,748
Cash clients	534,022	495,768
Margin clients	127,012	217,260
Accounts payable to clients arising from the business of dealing in futures and options	405,783	299,030
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	599	1,191
Trade creditors arising from retailing business	145,870	153,597
	1,213,286	1,172,594

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, 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$627,157,000 (2010: HK$697,060,000) 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 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Within 30 days	**42,406**	66,556
31–60 days	**45,672**	37,518
61–90 days	**37,189**	14,419
Over 90 days	**20,603**	35,104
	145,870	153,597

(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 the owners of the Company, comprising issued share capital, retained earnings and other reserves. 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 ("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. 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.

Categories of financial instruments

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Financial assets		
Fair value through profit or loss		
— held-for-trading	**41,135**	42,435
Loans and receivables (including cash and cash equivalents)	**2,011,479**	1,852,670
	2,052,614	1,895,105
Financial liabilities		
Amortised cost	**1,821,017**	1,655,944

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.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. In view of the financial market conditions in 2011 were similar to those of 2010, the management kept the sensitivity rate at 15% for 2011 (2010: 15%) for the purpose of assessing equity price risk. A 15 percent change representing management's assessment of the reasonably possible change in equity price is used.

As at 30 June 2011, if the market bid prices of the Group's listed equity investments had been 15 percent (2010: 15 percent) higher/lower, the Group's loss would decrease/increase by approximately HK$6,170,000 (2010: the Group's profit would increase/decrease by approximately HK$6,365,000). This is mainly attributable to the changes in fair values of the listed investments held for trading.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the period-end exposure does not reflect the exposure during the period.

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group. A 50 basis points (2010: 50 basis points) change representing management's assessment of the reasonably possible change in interest rates is used.

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

The sensitivity analysis is prepared assuming the variable-rate financial instruments outstanding at the end of the reporting period were outstanding for the whole period. As at 30 June 2011, if the interest rate of bank borrowings, loans receivable and loans to margin clients had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's loss would increase/decrease by approximately HK$4,038,000 (2010: the Group's profit would decrease/increase by approximately HK$5,240,000). Bank balances are excluded from sensitivity analysis as it is subject to minimal interest rate fluctuation.

Foreign currency risk

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

More than 90% of financial assets and financial liabilities of the Group are denominated in United States Dollar ("US$") or Hong Kong Dollars ("HK$"). As HK$ is pegged to US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. No foreign currency sensitivity is disclosed as in the opinion of directors, the foreign currency sensitivity does not give additional value in view of insignificant movement in the US$/HK$ exchange rates and insignificant exposure of other foreign currencies as at the end of the reporting date period.

Credit risk

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.

(12) Share capital

	Notes	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 2011 and 30 June 2011		0.02	15,000,000	300,000
Issued and fully paid:				
Ordinary shares of HK$0.02 each at 1 January 2011		0.02	3,538,250	70,765
Exercise of share options	(a)	0.02	50,000	1,000
Bonus issue	(b)	0.02	358,825	7,177
Ordinary shares of HK$0.02 each at 30 June 2011		0.02	3,947,075	78,942

Notes:

(a) On 15 March 2011, 50,000,000 share options were exercised at an exercise price of HK$0.1468 each resulting in the issue of a total of 50,000,000 new shares of HK$0.02 each for a total consideration (before expenses) of HK$7,340,000. These shares rank pari passu in all respects with other shares in issue.

(b) On 25 May 2011, 358,825,053 shares of HK$0.02 each were issued by way of bonus shares on the basis of 1 bonus share for every 10 existing shares held on the record date on 16 May 2011. These shares rank pari passu in all respects with other shares in issue.

(13) 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 2011 HK$'000	2010 HK$'000
Commission and interest income received from the following directors of the Company	(a)		
Mr Law Ping Wah Bernard and Associates	(b)	11	44
Mr Cheng Man Pan Ben and Associates		16	13
Mr Yuen Pak Lau Raymond and Associates	(c)	—	6
		27	63
Commission and interest income received from the following substantial shareholder of the Company	(d)		
Libra Capital Management (HK) Limited		221	591
Commission and interest income received from the following substantial shareholders of Net2Gather			
Cash Guardian Limited	(e)	2	17
Mr Kwan Pak Hoo Bankee and Associates	(b) & (e)	87	11
		89	28
Loan interest income received from the following directors of the Company	(f)		
Mr Chan Chi Ming Benson and Associates		37	37
Mr Law Ping Wah Bernard and Associates		—	37
Mr Cheng Man Pan Ben and Associates		37	37
Mr Yuen Pak Lau Raymond and Associates	(c)	37	37
		111	148
Rental and building management expenses paid to related companies		1,866	1,866

Notes:

(a) During the six months ended 30 June 2011, the Group received commission and interest from margin financing of approximately HK$27,000 (2010: HK$63,000) from certain directors of the Company.

(b) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also directors of Net2Gather, being the indirect substantial shareholder of the Company.

(c) During the six months ended 30 June 2011, Mr Yuen Pak Lau Raymond resigned as an executive director of the Company.

(d) During the six months ended 30 June 2011, the Group received commission and interest from margin financing of approximately HK$221,000 (2010: HK$591,000) from the substantial shareholder of the Company.

(e) Cash Guardian Limited is the substantial shareholder of Net2Gather (the indirect substantial shareholder of the Company) and a company controlled by Mr Kwan Pak Hoo Bankee.

(f) During the six months ended 30 June 2011, the Group derived interest income from loans to certain directors of the Company of approximately HK$111,000 (2010: HK$148,000).

(14) Dividend

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000
Dividend recognised as distribution during the period:		
2011 Interim — Nil (2010: HK2 cents per share)	—	12,342

(15) Post balance sheet event

Subsequent to the balance sheet date in July 2011, the Group entered into a provisional agreement with an independent third party relating to disposal of a property in Hong Kong ("Property") by the Group at a consideration of HK$123,500,000 to be settled in cash. The transaction shall be completed on or before 25 October 2011 in accordance with the provisional agreement. The Property is currently used as a warehouse. Upon completion, the Group agreed to leaseback the Property from the purchaser at a monthly rent of HK$410,000 (excluding rates and government rent) for a tenor of 24 months commencing from the date of completion of the sale and purchase of the Property. The disposal of the Property will result a gain before taxation of approximately HK$32,400,000 to the Group as compared with the carrying value of the Property of HK$91,100,000 as at 30 June 2011.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2011 (2010: HK2 cents per share based on 617,108,107 shares).

Review and Outlook

Financial Review

For the six months ended 30 June 2011, the Group recorded revenue of HK$653.6 million as compared to HK$609.2 million for the same corresponding period last year. The increase in revenue was mainly due to the increase in revenue of the retail and franchising business during the period. Overall, the Group recorded a net loss of HK$9.8 million for the six months ended 30 June 2011 as compared to the net profit of HK$8.4 million for the same period last year.

Financial Services

The first half of 2011 saw a period of range-trading with high volatility in the global stock market. The overwhelming concerns over the European sovereign debt crisis, the startling monetary policies of China to curb inflation and the catastrophic nuclear crisis in Japan all signified a nerve-racking investment environment. The pace of economic recovery was further battered by a serious of harsh austerity measures imposed by the Central Government such as tightening credit, increasing interest rate and raising deposit-reserve ratio aiming at suppressing inflation and slashing the surging property prices. Under such unfavourable investment sentiment, the sales momentum from last year turned to a slower pace and the average daily turnover for the first half of 2011 was approximately the same as the second half of 2010 at about HK$73.6 billion as compared with HK$63.8 billion for the same period last year. For the six months ended 30 June 2011, the Group's financial services business recorded a revenue of HK$131.6 million, up 5.4% from the same period of the previous year. The increase in revenue was mainly attributable to the remarkable increase in interest income due to the vigorous initial public offering (IPO) activities during the period under review. However, market competition on pricing remained intensive which affected our commission earnings. In addition, the sharp increase in rental cost due to renewal of tenancy agreement in late 2010 further increased our operating costs. The Group's recent accelerated growth strategy in the personal wealth management services business in China had significantly led to a significant increase in the development costs in the first half of the year, together with the costs recognised upon options being granted to the Group's staff and management had accounted for the sharp increase in the overall operating overheads for the period under review. However, the China personal wealth management services business had started to make a significant revenue contribution since the second half of the year. Overall, the Group's financial services business reported a net loss of

HK$10.7 million for the six months ended 30 June 2011 as compared to net profit of HK$2.0 million for the same period last year. The Group will continue to pursue its growth strategy despite the volatile market and increasing operating costs in the inflationary environment.

Retail and Franchising — CRMG

The Hong Kong's Consumer Price Index (CPI) rose to a 35-month high at 5.6% year-on-year in June 2011. The sharp rise in rental cost, newly enacted statutory minimum wage and inflationary pressure of all other aspects have increased our operating expenses and further eroded our profit margin. Furthermore, in order to cool down the overheated property market, Hong Kong Government has proactively introduced measures aiming at reducing speculative activities, including high stamp duty on short-term sales, more active approach to initiate more land sales and tightening rules on mortgage lending on luxury properties. The Hong Kong property market has been slowing down from November 2010 onwards with a remarkable drop in the number of property transactions. Despite the above mentioned unfavourable factors, CRMG continued to make steady progress and recorded a revenue of HK$522.0 million for the six months ended 30 June 2011, representing a 7.8% increase over the same period last year. In the PRC market, the China's 12th Five-Year Plan drove the growth of GDP in China and contributed to an upward momentum in consumer spending. To capture with the release of urban and rural consumption potential, CRMG has opened its first store in Guangzhou during the six months ended 30 June 2011. Its second store was opened in August 2011 and is planning to open its third store in another high-customer traffic district of Guangzhou later this year. The retail business in the PRC market is in the early investment phase and is expected to make profit contribution gradually in the coming years. For the six months ended 30 June 2011, CRMG recorded a net loss of HK$1.1 million as compared to the net profit of HK$6.3 million as recorded in the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$961.2 million as at 30 June 2011 as compared to HK$944.7 million as at 31 December 2010. The change was the combined result of the decrease in retained earnings due to the reported loss for the period under review, distribution of 2010 final dividend and increase in capital base because of the exercise of share options.

As at 30 June 2011, the Group had total bank borrowings of approximately HK$579.5 million, comprising bank loans of HK$486.4 million and overdrafts of HK$93.1 million.

Among the above bank borrowings, HK$355.3 million were collateralised by its margin clients' securities pledged to the Group. Other bank loans totally of HK$94.9 million were secured by the investment properties, property in Hong Kong and pledged deposits respectively. The remaining bank borrowings were unsecured.

As at 30 June 2011, our cash and bank balances including the trust and segregated accounts totalled HK$1,003.1 million as compared to HK$1,102.2 million at the end of the previous year.

Total deposits of HK$7.7 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$17.1 million was held for this purpose.

The liquidity ratio as at 30 June 2011 remained healthy at 1.1 times, as compared to 1.2 times as at 31 December 2010. The gearing ratio as at 30 June 2011, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, increased to 60.4% from 46.3% as at 31 December 2010. The increase was due to additional needs of bank borrowings of financial services business for the increase in margin loan refinancing demand at current report date. 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

On 25 July 2011, subsequent to the reporting date, the Group announced a discloseable transaction in relation to the disposal of the property located at Pricerite Group Building, No. 6 Hong Ting Road, Sai Kung, New Territories by the Group to an independent third party at the consideration of HK$123.5 million. Up to the date of this report, the Group received a total of HK$12,350,000 as deposit and completion of the disposal is to take place on or before 25 October 2011. Details of the transactions are disclosed in the announcement of the Company dated 25 July 2011.

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

Capital Commitment

As at 30 June 2011, the Group did not have any material outstanding capital commitment.

Material Investments

As at 30 June 2011, the Group was holding a portfolio of listed investments with market values of approximately HK$41.1 million. The net gain derived from listed investments and the securities dealing business totally of HK$66.9 million was recorded for the period.

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

Industry and Economic Review

In the first half of 2011, the low interest rate environment continued to bring about robust economic growth in the Asian and emerging economies, causing hikes in GDP growth in the first half of 2011 (Hong Kong: 6.3%; Mainland China 9.6%). In spite of a lack of mega IPOs, the fund-raising activities continued to hover in the first half of 2011 with increased corporate activities. Funds raised through IPOs during the period amounted to HK$171,199 million, more than twice the amount raised during the same period last year, representing the best half-year performance in terms of proceeds raised in 10 years, ranking Hong Kong No. 2 in terms of IPO funds raised globally.

Despite signs of improving economy, concerns about the increasing inflationary pressure in China which might cause hard landing of the economy, the unresolved European debt crisis spilling over from Greece to other European countries including France, dispute over the uplifting of the debt ceiling in the US resulting from the downgrading of the credit rating of the US by S&P from AAA to AA+, complicated with the political unrest in the Middle East and North Africa, and the traumatic earthquake in Japan, had caused exceptional volatility and clouded the market with no a clear direction. Hang Seng Index moved by and large in a narrow range, ending June 2011 at 22,398, a slight drop of 2.77% from 23,035 at the end of December 2010.

Business Review — Financial Services

Broking

On the back of cautious investment activities amid uncertainties, the Group's broking business witnessed gross operating revenue of HK$89 million in the reporting period, falling 12% over the same period last year. On the other hand, overall IPO activities jumped more than two times year-on-year to HK$171,199 million, which helped accelerate the margin loan interest income of the Group. Margin loan interest income hit HK$20 million, growing more than 50% compared with that of the previous corresponding period. In view of the active commodities market and soaring clients' demand, we strengthened the marketing efforts on commodities brokerage with satisfactory results, especially when the gold price reached its historical peak in the first half the year. In view of the changing market landscape, we adjusted the different categories of brokerage business to cater for different customer segments and product mix, with special efforts to further strengthen our CASHon-line e-trading and iOS mobile trading systems.

Wealth Management

Thanks to our China strategy, the business division continued to record steady growth despite intense competition and unsettled market conditions.

By leveraging the research capability in China, the business unit successfully introduced a number of model portfolios geared towards clients with different risk appetite. This new product not only serves to complement our third-party offerings, but also provides unique and personalised services to suit the needs of our clients and deepen the firm-client relationships.

With an objective to smooth out revenue volatility and increase income diversity, the unit continued to strengthen the advisory team with added service and research capability to serve high-value clients. Under this prestige programme, clients receive active portfolio management and other valued-added services. This offering has helped to attract new funds from both within and outside the existing business system.

Looking ahead, the division will continue to recruit qualified agents and provide systematic staff training on product knowledge and marketing skills to enhance productivity. The unit will continue to devote more resources to the development of the China market with a view to significantly increasing its new business volume. In so doing, it will leverage on the existing platform in China and expand its presence in the Southern provinces.

Asset Management

During the stagnant market condition in the first half of 2011, we focused on the sectors which were less affected by US and European debt crises and the tight monetary policy in China, such as Macau gambling industry, luxury retail business and the raw material sectors. The amount of Asset Under Management (AUM) rose mildly in the first half of 2011 compared with the end of December 2010 and our portfolio outperformed the benchmark index during the period under review.

Looking forward, China's inflation rate is expected to peak in the fourth quarter of 2011 and we expect the China government to gradually relieve monetary tightening policy in the last quarter of 2011. As the global investment sentiment is still fragile, the Hong Kong stock market is likely to be volatile in the short to medium term, clients are therefore more inclined to consult our professional asset management services in order to catch the fleeting investment opportunities. As such, we believe that our AUM and revenue such as performance fee and management fee will experience a reasonable growth.

Investment Banking

IPO activities in Hong Kong continued to grow in the first half of 2011. For the six months ended 30 June 2011, more than 30 companies were listed on the Main Board which raised a total of over HK$170 billion. The newly listed companies include a world renowned fashion brand, the largest travel luggage company in the world, and a leading integrated producer and market of commodities with worldwide activities. It demonstrated that Hong Kong is an international financial centre which offers remarkable fund raising opportunities to both international and companies in Mainland China.

During the period under review, the investment banking unit successfully assisted clients in completing corporate transactions and fund raising exercises. In addition, we secured a number of mandates in respect of sponsoring IPOs. In the future, we will continue our strategy to focus on financial advisory and corporate transactions and take a proactive approach to placing and fund raising for existing and new clients.

China Development

One of the Group's key strategies in recent years is to focus on business development in China. With that, the Group continues to dedicate more resources to the Mainland China in 2011 with a view to enhancing the driving force of the development. In so doing, we set up three new offices in the first half of this year. These include Nanjing, Qingdao and Chengdu. Together with the existing locations in Beijing, Chongqing, Shenzhen, Xian, Xiamen and the headquarters in Shanghai, we now have 9 service centres across the country. Each office actively participates in investment seminars organised by local partners to provide educational information on wealth management and investment. These joint events have been effective in raising our profile and promoting our brand to prospective clients. The chance to meet the investing public face-to-face in exhibitions and seminars has helped us deepen our relationships with our Mainland clients and the local partners.

As part of the branding strategy, we have been working closely with the local financial media to promote our corporate brand. Our research materials have been quoted frequently in well-known prints and the research professionals appearing regularly in broadcast. These activities have helped enhance our brand awareness among the local sophisticated investing public. We believe brand recognition is crucial for the development of our business.

We plan to expand our coverage by opening new offices in cities that present significant potential for business development over the medium terms. Our objective is to continue to build our brand, networks and connections in preparation for the eventual opening up of the market.

Other development

The landscape of the global financial market has been changing with the advancement of information technology, mobile devices and proliferation of financial products. During the period, we have developed and launched our iPhone and iPad apps which are widely accepted by the investors and ranked top among the financial apps. In addition, the algo trading team has successfully developed trading models and strategies and made significant contributions to the Group especially in the volatile market.

Business Review — Retailing and Franchising Services

During the period, we opened two new stores in Tseung Kwan O and Tsing Yi, bringing the total number of Pricerite outlets in Hong Kong to 35 by the end of June 2011. We also continued our store revamp programme to provide customers with cosier and more modern shopping environment. In all revamped stores, we added more room settings to demonstrate different mix-and-match ideas of our home furnishing products. Further, we also built an iProduct corner in most revamped stores to display our digital product catalogues and latest promotions using iPad devices.

While social media becomes an essential part of everyone's daily living, Pricerite launched its official facebook page early this year. Riding on this more interactive platform, we are communicating with customers on value-adding services and entertainments such as household tips, games, blogs, member's corner and general enquiries.

During the period, we have expanded our in-house product design team to cope with the increasing works on product development. With strengthened product development capability, we introduced more self-developed products with enhanced aesthetics value and unique features to better serve our customers in both Hong Kong and Mainland China.

In fact, new product introductions were carried out in both Hong Kong and Mainland China. CRMG has established another retail brand 生活經艷 in China and the first 生活經艷 concept store was opened in Tianhe District, at the center of Guangzhou, in May 2011. The second store was opened in August in Yuexiu District, a popular shopping area in the city. Most merchandise carried in 生活經艷 was designed in-house and was well coordinated in store.

Pricerite's commitment in excellent shopping experience and in green movement were recognised again in 2011 when we received the 2011 Outstanding QTS Merchant — Silver Award, ranking the second among 30 participating retail practitioners in the category "Department Stores, Home Decorations Products & Personal Care Products". In addition, Pricerite was awarded the 5 Years Plus Caring Company Logo and the Bronze Award of Hong Kong Awards for Environmental Excellence (Retailers Sector).

Outlook

The unresolved European debt crisis and impact of downgrading of credit rating of the US continue to affect the international stock market sentiment and the global economy, though it is believed that across the Asia Pacific region recovery may continue and likely outperform the US and European counterparts if the situations in the US and Europe will be stabilising or at least not significantly deteriorating further.

Global inflation is expected to continue mounting and will not recede any time soon. Tight money supply and credit conditions may drag down the pace of economic recovery while Europe is still mired in debt. The slow economic recovery in the US and Europe may suggest implementation of further quantitative easing plans such as QE3 which may lead to corresponding actions in China. The need to hedge against inflation may subside and fewer funds are expected to speculate on the commodities market, relieving the overheat commodities market. On the other hand, the Central Government has recently announced a series of measures to encourage two-way investment and trade between Hong Kong and the Mainland, and to strengthen Hong Kong's position as the offshore RMB trading centre for China. These measures are considered to be key driving forces for the Hong Kong economic growth in the coming quarters.

Corporate Strategy

Looking ahead, the Group continued to be cautiously optimistic towards various push and drag forces of the global economy. Facing with uncertainties in the market, the Group will continue to diversify our revenue mix to shape the future of our business. With our unparalleled understanding of the evolving market, industry, economy, strategic and regulatory trends, we will continue to position ourselves as the preeminent provider of financial and retail services. To take advantage of the China's 12th Five-Year plan, we aim to tap into the mainland market in order to expand our international businesses. As part of our core strategy to compete in the market, we continue to improve our electronic trading platform including our internet trading platform to satisfy the versatile needs of our clients in Hong Kong and Mainland China and making further investment in the IT infrastructure to maintain our leadership position as a technology driven fully fledged financial services company with comprehensive range of services and products. Although challenges amid persistently high rental costs, increasing wages and inflation which will all result in surging operating expenses, we will continue to increase our operating efficiencies and tally our business strategies in response to the changing market landscape with a view to positioning ourselves to capture the opportunities ahead.

Employee Information

At 30 June 2011, the Group had 1,345 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$166,092,000.

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 2011, 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	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	1,707,220,589*	43.25
Chan Chi Ming Benson	Beneficial owner	55,000,000	—	1.39
Law Ping Wah Bernard	Beneficial owner	27,506,160	—	0.70
Cheng Man Pan Ben	Beneficial owner	29,337,000	—	0.74
Lo Kwok Hung John	Beneficial owner	2,095,500	—	0.05
		113,938,660	1,707,220,589	46.13

* The shares were held as to 1,639,861,069 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 31.86% 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 held by CIGL and Cash Guardian as a result of its interests in Net2Gather and Cash Guardian pursuant to the SFO.

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

					Number of options						
Name	Date of grant	Option period	Notes	Exercise price per share (HK$) (Note (7))	outstanding as at 1 January 2011	exercised on 15 March 2011 (Note (4))	granted during the period (Notes (5) & (6))	adjusted on 17 May 2011 (Note (7))	reallocated upon change of directorate (Note (8))	outstanding as at 30 June 2011	Percentage to issued shares as at 30 June 2011 (%)
Kwan Pak Hoo Bankee	15/6/2009	15/6/2009–30/6/2013	(1) & (2)(A)(i)	0.1468	25,000,000	(25,000,000)	—	—	—	—	—
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i) & (3)(i)	0.2764	20,000,000	—	—	2,000,000	—	22,000,000	0.56
	23/3/2011	23/3/2011–22/3/2013	(1) & (3)(ii)	0.4173	—	—	70,000,000	7,000,000	—	77,000,000	1.95
Chan Chi Ming Benson	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	—	16,500,000	0.42
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i) & (3)(i)	0.2764	30,000,000	—	—	3,000,000	—	33,000,000	0.83
Law Ping Wah Bernard	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1468	25,000,000	(25,000,000)	—	—	—	—	—
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i) & (3)(i)	0.2764	30,000,000	—	—	3,000,000	—	33,000,000	0.83
Cheng Man Pan Ben	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	—	16,500,000	0.42
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i) & (3)(i)	0.2764	10,000,000	—	—	1,000,000	—	11,000,000	0.28
	15/3/2011	15/3/2011–31/12/2013	(3)(ii)	0.4427	—	—	10,000,000	1,000,000	—	11,000,000	0.28
Cheng Pui Lai Majone	15/10/2010	15/10/2010–31/10/2013	(2)(B)(ii)	0.2764	N/A	N/A	N/A	N/A	5,500,000	5,500,000	0.14
	15/3/2011	15/3/2011–31/12/2013	(3)(ii)	0.4427	N/A	N/A	N/A	N/A	16,500,000	16,500,000	0.42
Yuen Pak Lau Raymond	15/6/2009	15/6/2009–30/6/2013	(2)(A)(i)	0.1335	15,000,000	—	—	1,500,000	(16,500,000)	N/A	N/A
	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	10,000,000	—	—	1,000,000	(11,000,000)	N/A	N/A
Cheng Shu Shing Raymond	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	2,500,000	—	—	250,000	—	2,750,000	0.07
Lo Kwok Hung John	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	2,500,000	—	—	250,000	—	2,750,000	0.07
Lo Ming Chi Charles	15/10/2010	15/10/2010–31/10/2012	(2)(B)(i)	0.2764	5,000,000	—	—	500,000	—	5,500,000	0.14
					205,000,000	(50,000,000)	80,000,000	23,500,000	(5,500,000)	253,000,000	6.41

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 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012; and

(ii) 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:

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

(ii) individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(4) The options were exercised at the exercise price of HK$0.1468 per share. The weighted average closing price of the share immediately before the date of exercise was HK$0.5000 per share.

(5) The closing prices of the share immediately before the date of grant of options on 15 March 2011 and 23 March 2011 were HK$0.5000 and HK$0.4500 respectively.

(6) The value of the options granted during the six months ended 30 June 2011 was minimal as the performance targets set for the options had not been achieved by the end of the period under review.

(7) The number and the exercise price of share options which remained outstanding on 17 May 2011 have been adjusted due to the bonus issue of the Company on the basis of 1 share for every 10 shares held on the record date with effect from 17 May 2011. The exercise prices of share options were adjusted as follows:

Date of grant	Exercise price (before adjustment) HK$	Exercise price (after adjustment) HK$
15 June 2009	0.1468	0.1335
3 June 2010	0.1260	0.1145
15 October 2010	0.3040	0.2764
15 March 2011	0.4870	0.4427
23 March 2011	0.4590	0.4173

(8) Ms Cheng Pui Lai Majone was appointed as an executive director of the Company and Mr Yuen Pak Lau Raymond resigned as an executive director of the Company both on 1 June 2011.

(9) 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 of the Company

Name	Number of shares	Number of underlying shares	Aggregate in number	Percentage to issued shares as at 30 June 2011 (%)
Kwan Pak Hoo Bankee	1,707,220,589	99,000,000	1,806,220,589	45.76
Chan Chi Ming Benson	55,000,000	49,500,000	104,500,000	2.64
Law Ping Wah Bernard	27,506,160	33,000,000	60,506,160	1.53
Cheng Man Pan Ben	29,337,000	38,500,000	67,837,000	1.72
Cheng Pui Lai Majone	—	22,000,000	22,000,000	0.56
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
	1,821,159,249	253,000,000	2,074,159,249	52.54

Save as disclosed above, as at 30 June 2011, 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 2011 were as follows:

				Number of options					
Date of grant	Option period	Exercise price per share (HK$) (Note (7))	Notes	outstanding as at 1 January 2011	exercised on 15 March 2011 (Note (4))	granted during the period (Notes (5)&(6))	adjusted on 17 May 2011 (Note (7))	reallocated upon change of directorate (Note (8))	outstanding as at 30 June 2011
Directors									
15/6/2009	15/6/2009–30/6/2013	0.1335	(1) & (2)(A)(i)	95,000,000	(50,000,000)	—	4,500,000	(16,500,000)	33,000,000
15/10/2010	15/10/2010–31/10/2012	0.2764	(1), 2(C)(i) & 3(ii)	100,000,000	—	—	10,000,000	(11,000,000)	99,000,000
	15/10/2010–31/10/2013	0.2764	(1) & 2(C)(i)	10,000,000	—	—	1,000,000	—	11,000,000
	15/10/2010–31/10/2013	0.2764	(1) & 2(C)(ii)	—	—	—	—	5,500,000	5,500,000
15/3/2011	15/3/2011–31/12/2013	0.4427	(1) & (3)(iv)	—	—	10,000,000	1,000,000	16,500,000	27,500,000
23/3/2011	23/3/2011–22/3/2013	0.4173	(1) & (3)(iv)	—	—	70,000,000	7,000,000	—	77,000,000
				205,000,000	(50,000,000)	80,000,000	23,500,000	(5,500,000)	253,000,000
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)	39,000,000	—	—	3,900,000	—	42,900,000
22/6/2009	22/6/2009–30/6/2013	0.1309	(3)(i)	75,000,000	—	—	7,500,000	—	82,500,000
3/6/2010	3/6/2010–31/5/2012	0.1145	(2)(B)(i)	62,500,000	—	—	6,250,000	—	68,750,000
15/10/2010	15/10/2010–31/10/2012	0.2764	2(C)(i) & (3)(ii)	25,000,000	—	—	2,500,000	11,000,000	38,500,000
	15/10/2010–31/10/2012	0.2764	3(iii)	90,000,000	—	—	9,000,000	—	99,000,000
	15/10/2010–31/10/2013	0.2764	2(C)(ii)	12,500,000	—	—	1,250,000	(5,500,000)	8,250,000
	15/10/2010–31/10/2013	0.2764	2(C)(iii) & (3)(ii)	5,000,000	—	—	500,000	—	5,500,000
22/11/2010	22/11/2010–31/11/2012	0.4636	(3)(iii)	60,000,000	—	—	6,000,000	—	66,000,000
1/2/2011	1/2/2011–31/12/2013	0.4318	(3)(iii) & (3)(iv)	—	—	130,000,000	13,000,000	—	143,000,000
	1/2/2011–31/12/2014	0.4318	(2)(D)(i) & (3)(iv)	—	—	48,000,000	4,800,000	—	52,800,000
15/3/2011	15/3/2011–31/12/2013	0.4427	(3)(iv)	—	—	15,000,000	1,500,000	(16,500,000)	—
				369,000,000	—	193,000,000	56,200,000	5,500,000	623,700,000
				574,000,000	(50,000,000)	273,000,000	79,700,000	—	876,700,000

Notes:

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

(2) The options are vested in 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; and

(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 1 January 2011 up to 31 October 2012; and (b) 50% exercisable from 1 January 2012 up to 31 October 2012;

(ii) 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; and

(iii) 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.

(D) Options granted on 1 February 2011

(i) 4 tranches as to (a) 25% exercisable from 1 February 2011 up to 31 December 2014; (b) 25% exercisable from 1 February 2012 up to 31 December 2014; (c) 25% exercisable from 1 February 2013 up to 31 December 2014; and (d) 25% exercisable from 1 February 2014 up to 31 December 2014.

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

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

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

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

(iv) individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(4) The options were exercised at an exercise price of HK$0.1468 each by the directors on 15 March 2011. The weighted average closing price of the shares immediately before the date of exercise was HK$0.5000 per share.

(5) The closing price of the share immediately before the date of grant of options are:

Date of grant	Closing price of the share immediately before the date of grant HK$
1 February 2011	0.4400
15 March 2011	0.5000
23 March 2011	0.4500

(6) The value of the options granted during the six months ended 30 June 2011 was minimal as the performance targets set for the options had not been achieved by the end of the period under review.

(7) The number and the exercise price of share options which remained outstanding on 17 May 2011 have been adjusted due to the bonus issue of the Company on the basis of 1 share for every 10 shares held on the record date with effect from 17 May 2011. The exercise prices of share options were adjusted as follows:

Date of grant	Exercise price (before adjustment) HK$	Exercise price (after adjustment) HK$
15 June 2009	0.1468	0.1335
22 June 2009	0.1440	0.1309
3 June 2010	0.1260	0.1145
15 October 2010	0.3040	0.2764
22 November 2010	0.5100	0.4636
1 February 2011	0.4750	0.4318
15 March 2011	0.4870	0.4427
23 March 2011	0.4590	0.4173

(8) Ms Cheng Pui Lai Majone was appointed as an executive director of the Company and Mr Yuen Pak Lau Raymond resigned as an executive director of the Company both on 1 June 2011.

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

Substantial Shareholders

As at 30 June 2011, so far as is known to the directors and chief executives of the Company, the persons/companies, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Note (1))	Interest in a controlled corporation	1,707,220,589	43.25
Cash Guardian (Note (1))	Interest in a controlled corporation	1,707,220,589	43.25
Net2Gather (Note (1))	Interest in a controlled corporation	1,639,861,069	41.55
Praise Joy Limited (Note (1))	Interest in a controlled corporation	1,639,861,069	41.55
CIGL (Note (1))	Beneficial owner	1,639,861,069	41.55
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (2))	Interest in a controlled corporation	315,131,640	7.98
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (2))	Beneficial owner	315,131,640	7.98

Notes:

(1) This refers to the same number of 1,707,220,589 shares which were held as to 1,639,861,069 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 31.86% by Mr Kwan, being approximately 31.76% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited), which in turn was 100% beneficially owned by Mr Kwan and approximately 0.10% 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 in the Company held by CIGL through Net2Gather and Cash Guardian. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

(2) This refers to the same number of 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 2011, 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 2011 to 30 June 2011, the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules. The directors are not aware of any deviations from the CG Code throughout the period under review.

Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules. All directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard of dealings set out therein throughout the review period.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2011 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 2011, 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, 29 August 2011

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

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Chan Chi Ming Benson
Mr Law Ping Wah Bernard
Mr Cheng Man Pan Ben
Ms Cheng Pui Lai Majone

Independent non-executive directors:

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