Net2Gather (China) Holdings Limited

(Stock Code: 1049)

Interim Results 2012

Condensed Consolidated Statement of Comprehensive Income

The unaudited consolidated results of Net2Gather (China) Holdings Limited ("Company" or "Net2Gather") 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:

	Notes	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000 (restated)
Continuing operations			
Revenue	(3)	**4,876**	5,196
Cost of sales and services		**(3,011)**	(3,794)
Salaries, allowances and commission		**(16,754)**	(11,380)
Other operating, administrative and selling expenses		**(12,904)**	(14,383)
Depreciation of property and equipment		**(8,738)**	(3,470)
Finance costs		**(3,009)**	(6,814)
Net loss on investments held for trading		**(1,014)**	(3,381)
Share of loss of an associate		**(12,116)**	(4,064)
Loss before taxation		**(52,670)**	(42,090)
Income tax expense	(5)	**—**	—
Loss for the period from continuing operations		**(52,670)**	(42,090)
Discontinued operations			
Profit for the period from discontinued operations		**—**	3,964
Loss for the period		**(52,670)**	(38,126)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**78**	512
Other comprehensive income for the period (net of tax)		**78**	512
Total comprehensive expense for the period		**(52,592)**	(37,614)

	Note	Unaudited Six months ended 30 June 2012 HK$'000	 2011 HK$'000 (restated)
(Loss) profit for the period attributable to:			
Owners of the Company			
Loss for the period from continuing operations		**(52,670)**	(42,090)
Profit for the period from discontinued operations		**—**	2,032
Loss for the period attributable to owners of the Company		**(52,670)**	(40,058)
Non-controlling interests			
Profit for the period from discontinued operations		**—**	1,932
Profit for the period attributable to non-controlling interests		**—**	1,932
		(52,670)	(38,126)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(52,592)**	(39,546)
Non-controlling interests		**—**	1,932
		(52,592)	(37,614)
Loss per share	(6)		
From continuing and discontinued operations:			
— Basic and diluted		**HK(1.43) cents**	HK(1.23) cents
From continuing operations:			
— Basic and diluted		**HK(1.43) cents**	HK(1.29) cents

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		11,661	17,134
Investment properties		80,000	99,532
Goodwill		83,361	83,361
Interests in an associate		379,817	391,933
Intangible assets		96,099	92,976
Rental deposits		3,233	3,233
		654,171	688,169
Current assets			
Inventories		188	186
Accounts receivable	(7)	364	744
Prepayments, deposits and other receivables		6,483	22,093
Bank balances and cash		61,818	81,109
		68,853	104,132
Current liabilities			
Accounts payable	(8)	3,379	523
Deferred revenue		1,014	1,628
Accrued liabilities and other payables		17,280	21,125
Taxation payable		15	15
Obligations under finance leases		617	617
Borrowings — amount due within one year		61,874	61,608
		84,179	85,516
Net current (liabilities) assets		(15,326)	18,616
Total assets less current liabilities		638,845	706,785

	Note	30 June 2012 (Unaudited) HK$'000	31 December 2011 (Audited) HK$'000
Capital and reserves			
Share capital	(10)	**36,943**	36,943
Reserves		**542,420**	595,012
Equity attributable to owners of the Company		**579,363**	631,955
Non-controlling interests		**(18,716)**	(18,716)
Total equity		**560,647**	613,239
Non-current liabilities			
Deferred tax liabilities		**11,940**	13,961
Borrowings — amount due after one year		**65,871**	78,892
Obligations under finance leases		**387**	693
		78,198	93,546
Total equity and liabilities		**638,845**	706,785

Consolidated Statement of Changes in Equity

Unaudited
Six months ended 30 June 2012

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	**36,943**	**475,872**	**88,926**	**1,160**	**29,866**	**2,958**	**9,964**	**(13,734)**	**631,955**	**(18,716)**	**613,239**
Loss for the period	—	—	—	—	—	—	—	(52,670)	(52,670)	—	(52,670)
Other comprehensive income for the period (net of tax)	—	—	—	—	—	78	—	—	78	—	78
Total comprehensive (expense) income for the period	—	—	—	—	—	78	—	(52,670)	(52,592)	—	(52,592)
At 30 June 2012	**36,943**	**475,872**	**88,926**	**1,160**	**29,866**	**3,036**	**9,964**	**(66,404)**	**579,363**	**(18,716)**	**560,647**

Unaudited
Six months ended 30 June 2011

	Attributable to owners of the Company											
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	General reserve HK$'000	Convertible notes equity reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Properties revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	30,902	264,430	88,926	1,160	6,884	(769)	3,490	1,919	115,230	512,172	—	512,172
Loss for the period	—	—	—	—	—	—	—	—	(40,058)	(40,058)	1,932	(38,126)
Other comprehensive income for the period (net of tax)	—	—	—	—	—	512	—	—	—	512	—	512
Total comprehensive income (expense) for the period	—	—	—	—	—	512	—	—	(40,058)	(39,546)	1,932	(37,614)
Exercise of share options	612	5,152	—	—	—	—	(3,490)	—	3,490	5,764	—	5,764
Issue of new shares	3,080	152,494	—	—	—	—	—	—	—	155,574	—	155,574
Issue of new shares for acquisitions of subsidiaries	958	70,181	—	—	—	—	—	—	—	71,139	15,276	86,415
Shares issued upon conversion of convertible notes	1,561	12,210	—	—	(3,230)	—	—	—	—	10,541	—	10,541
Dividends paid	—	—	—	—	—	—	—	—	(6,846)	(6,846)	—	(6,846)
Share-based payments of the Company	—	—	—	—	—	—	6,980	—	—	6,980	—	6,980
At 30 June 2011	37,113	504,467	88,926	1,160	3,654	(257)	6,980	1,919	71,816	715,778	17,208	732,986

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000
Net cash used in operating activities	(23,398)	(42,571)
Net cash generated from (used in) investing activities	17,168	(74,187)
Net cash (used in) generated from financing activities	(13,061)	189,135
Net (decrease) increase in cash and cash equivalents	(19,291)	72,377
Cash and cash equivalents at beginning of period	81,109	81,951
Cash and cash equivalents at end of period	61,818	154,328
Bank balances and cash	61,818	154,328

Notes:

(1) Basis of preparation

The unaudited condensed consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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

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

An analysis of the Group's revenue for the period from continuing operations is as follows:

	Unaudited Six months ended 30 June	
	2012	2011
	HK$'000	HK$'000
		(restated)
Online game subscription income	**4,407**	2,775
Licensing income	**469**	2,421
	4,876	5,196

(4) Business and geographical segments

Business segments

Information reported to the Executive 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 goods or services delivered or provided. The Group's operating and reporting segments are the provision of online game services, sales of online game auxiliary products and licensing services.

Mobile digital services operation, which was involved in provision of mobile digital entertainment services, was discontinued upon the disposal of Yole Wireless Technology (Hongkong) Co., Limited on 28 December 2011. As a result, the Group's mobile digital services operation for the period from 26 April 2011 to 28 December 2011 was considered as discontinued operations. Accordingly, the comparatives of segment information for the corresponding period last year have been restated.

Segment revenue and result

For the six months ended 30 June 2012

	Continuing operations	Discontinued operations	
	Online game services HK$'000	Mobile digital services HK$'000	Consolidated HK$'000
Reportable segment revenue			
From external customers	**4,876**	**—**	**4,876**
Reportable segment loss	**(24,661)**	**—**	**(24,661)**
Net loss on investments held for trading			**(1,014)**
Unallocated corporate expenses			**(11,870)**
Share of loss of an associate			**(12,116)**
Finance costs			**(3,009)**
Loss before taxation			**(52,670)**

For the six months ended 30 June 2011

	Continuing operations	Discontinued operations	
	Online game services HK$'000 (restated)	Mobile digital services HK$'000 (restated)	Consolidated HK$'000
Reportable segment revenue			
From external customers	5,196	6,988	12,184
Reportable segment (loss) profit	(15,608)	4,342	(11,266)
Net loss on investments held for trading			(3,381)
Unallocated corporate expenses			(12,223)
Share of loss of an associate			(4,064)
Finance costs			(6,814)
Loss before taxation			(37,748)

Segment result represents the profit before taxation earned or loss incurred by each segment before net loss on investments held for trading, unallocated corporate expenses, finance costs and share of loss of an associate. This is the measure reported to the Executive Directors for the purposes of resource allocation and assessment of performance.

Geographical segments

The Group's continuing operations is located in the People's Republic of China ("PRC").

(5) Income tax expense

No provision for Hong Kong profits tax was made as the Group had no assessable profits arising in or deriving from Hong Kong for the current and prior periods.

Under the Law of PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners 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 HK$'000	2011 HK$'000
Loss for the purpose of basic and diluted loss per share	(52,670)	(40,058)

The denominators used are the same as those detailed below for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted loss per share from continuing and discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000 (restated)
Loss for the period attributable to the owners of the Company	(52,670)	(40,058)
Less: Profit for the period from discontinued operations attributable to the owners of the Company	—	(2,032)
Loss for the purpose of basic and diluted loss per share from continuing operations	(52,670)	(42,090)

	Unaudited Six months ended 30 June 2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share from continuing operations	**3,694,319**	3,257,935

The computation of diluted loss per share from the continuing operations for both periods has not assumed the exercise of share options and conversion of convertible notes as the effect of which would decrease the loss per share from the continuing operations.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations for the six months ended 30 June 2011 is HK0.06 cent per share (as restated).

The denominators used are the same as those detailed above for the loss per share from continuing operations.

The incremental shares from assumed exercise of share options and conversion of convertible notes are excluded in calculating the diluted loss per share from discontinued operations because they are antidilutive in calculating the diluted loss per share from continuing operations.

(7) Accounts receivable

The Group allows an average credit period of 30 days to its customers. Amounts receivable is aged within 30 days based on the invoice date as at the end of the reporting period.

(8) Accounts payable

Accounts payable principally comprise amount outstanding for the production of online game auxiliary products. The entire accounts payable are aged within 30 days.

(9) Financial instruments

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 debts, which include the borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings/accumulated losses. 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 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.

Financial risk management objectives and policies

The Group's major financial instruments include accounts receivable and payable, deposits and other receivables, available-for-sale investments, bank balances, accrued liabilities and other payables and borrowings. 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 mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances and fixed-rate obligation 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 and bank balances. The Group currently does not have a cash flow interest rate hedging policy. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial assets and financial liabilities are details 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.

Foreign currency risk

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

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

The Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debts at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, as the exposure spread over a number of counterparties and customers.

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

Liquidity risk

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

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 are 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.

(10) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2012 and 30 June 2012	0.01	30,000,000	300,000
Issued and fully paid:			
At 1 January 2012 and 30 June 2012	0.01	3,694,319	36,943

(11) Related party transactions

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

	Notes	Unaudited Six months ended 30 June 2012 HK$'000	2011 HK$'000
Interest expenses paid to Cash Guardian Limited	(a) & (b)	—	241
Placing commission expenses paid to CASH Financial Services Group Limited ("CFSG")	(c)	—	4,682
Commission and interest expenses paid to CFSG	(d)	**328**	337
Rental and building management fee income received from CFSG	(d)	**2,262**	1,242

Notes:

(a) During the six months ended 30 June 2011, the Group paid interest expense of approximately HK$241,000 to Cash Guardian Limited in relation to the issue of convertible notes.

(b) Cash Guardian Limited is the substantial shareholder of the Company.

(c) During the six months ended 30 June 2011, the Group incurred placing commission expenses from placing of the Company's shares of approximately HK$4,682,000.

(d) During the six months ended 30 June 2012, the Group paid commission and interest expenses to CFSG of approximately HK$328,000 (2011: HK$337,000) and received rental and building management fee income from CFSG of approximately HK$2,262,000 (2011: HK$1,242,000).

(12) Interim dividend

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

Dividend

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

Review and Prospects

Financial Review

Financial Performance

For the six months ended 30 June 2012, the Group recorded a loss from continuing operations of HK$52.7 million as compared to the loss of HK$42.1 million (as restated) for the last corresponding period. During the period under review, the Group's mobile internet services business remained under very keen competition and the activities carried out by CFSG, the Group's associate, were also inevitably affected by the persistent European sovereign debt crisis and the sluggish global economic recovery. Overall, the Group reported a net loss for the period attributable to the owners of the Company of HK$52.7 million as compared to a net loss of HK$40.1 million (as restated) for the same period last year.

Mobile Internet Services Business

In view of the prolonged unstable global economic situation and the slowdown of China's economic growth, coupled with the intense competition amongst the industry players, the online game market in China has now been undergoing an adjustment period. As a result, we trod carefully in adjusting the pace of our business expansion and carried out a thorough organisational and operational reengineering. We have decisively implemented stringent cost control measures over its operations and adhered to a prudent strategy for its online game business. During the period under review, the Group has already conducted several rounds of close-beta and user acceptance tests for its two proprietary online games, known as "Tales of Ocean Fantasy" and "Superhero". Despite facing a tough operating environment, the Group soft launched its "Tales of Ocean Fantasy" in March this year. In the meantime, the launch of "Superhero" originally scheduled for the third quarter this year had been postponed to 2013. The Group continued to leverage its extensive publishing network and partnership to secure license deals in several countries and regions. The Group will put its best effort to explore ways to align its mobile internet services business and new initiatives of business development will be in place to enhance its competitiveness. Overall, for the six months ended 30 June 2012, the Group's mobile internet services business recorded revenue of HK$4.9 million and net loss of HK$24.7 million as compared to revenue of HK$5.2 million (as restated) and a net loss of HK$15.6 million (as restated) for the last corresponding period.

CFSG (Associate)

During the period under review, the financial services business (FSG) and retail management business (CRMG), being the activities carried out by CFSG, had been ineluctably affected by the global challenging environment and uncertainty amid the inflationary pressure in all aspects. Overall, the Group recorded a share of loss from an associate of HK$12.1 million for the six months ended 30 June 2012 as compared to a share of loss of HK$4.1 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 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. CFSG 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 CFSG'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 down 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 its cost leadership approach. Despite the gloomy economic outlook, CRMG's 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 equity attributable to the owners of the Company amounted to HK$579.4 million as at 30 June 2012 as compared to HK$632.0 million at the end of last year. The decrease in equity was the result of the loss reported for the period.

As at 30 June 2012, the Group had total interest bearing borrowings of approximately HK$128.7 million, as compared to HK$141.8 million as at 31 December 2011. The decrease in borrowings was due to the repayment of bank loans during the period. Among the above bank borrowings, HK$112.3 million were secured by the shares of a wholly-owned subsidiary, certain property and equipment and an investment property. The remaining borrowings were unsecured.

As at 30 June 2012, our cash and bank balances totalled HK$61.8 million as compared to HK$81.1 million at the end of the previous year. The decrease in the cash and bank balances was mainly due to the operating loss and the repayment of borrowings during the period. Our liquidity ratio as at 30 June 2012 was at 0.8 time as compared with 1.2 times on 31 December 2011.

The gearing ratio (representing the ratio of interest bearing borrowings of the Group divided by the total equity) was 0.23 as at 30 June 2012, being the same level as at 31 December 2011, which was kept at a conservatively low level.

Saved as aforesaid, the Group had no other material contingent liabilities at the period-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

The Group did not have any material acquisition and disposal during the period.

Capital Commitments

The Group did not have any material capital commitment at the end of the period.

Material Investments

As at 30 June 2012, the Group did not have a portfolio of listed investments and unlisted investment funds and net loss on listed investments and unlisted investment funds totally of HK$1.0 million was recorded for the period.

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

Management Discussion and Analysis

Mobile Internet Business

Industry and Market Overview

Based on figures compiled by iResearch, China's online gaming market revenue reached RMB 21.05 billion in 2008, representing a year-on-year increase of 66.3%. After years of high growth, the market recorded a notable deceleration in growth momentum. Amidst the sluggish economy in recent quarters, the market is further consolidating for another phase of transformation. In 2012, the online gaming market revenue is expected to reach RMB 49.63 billion, representing a year-on-year increase of only 14.6%, the lowest growth rate in the past five years. Starting from 2014, it is expected that the growth will further slow down to a single-digit rate.

Despite the ever more intense competition of online gaming market, a notable trend had emerged in recent years due to a shift in users' preference. The landscape of the online gaming market had evolved from the domination of the "traditional" client-end massively multiplayer online role playing games (MMORPGs) to a proliferation of several forms of game types and across various game sectors.

According to figures compiled by iResearch on the PC online game market, revenue generated by the client-end MMORPGs represented a commanding 96.4% of all PC online game revenue in 2006. In 2011, the figure dropped to 78.7%, the first time that the weighting had declined below 80%. While client-end MMORPGs are losing their market dominance, the growth in platform games (11.6% of games revenue in 2011), web games (6.6% of games revenue) and social games (3.1% of games revenue) had seen significant growth in their respective representation. iResearch predicted that this trend would continue in the next few years, and MMORPGs would represent an even lesser importance in the coming years.

In additional to competition from other PC online game sectors, the growth momentum of the mobile gaming sector had been phenomenal both in terms of market size and user base and had outperformed the overall online gaming market. According to the Ministry of Culture of the PRC, the user base of mobile console games was up 46% to over 51 million, and its market size had exceeded a record of RMB 3 billion. The mobile online gaming market showed an even faster growth as its user base had reached 11.3 million, representing a spectacular year-on-year increase of 352%, whereas the market size reached RMB 790 million. According to iiMedia Research, mobile game revenue in China, fuelled by popularity of smartphones and mobile devices, surged to RMB 1.1 billion in first quarter 2012. In terms of revenue, mobile games in China still represented a small portion when compared with PC online gaming counterparts. However, a critical mass has been established and growth rates are expected to remain at a high level for the next few years to come.

On the other hand, the China IPTV installation by China Telecom has gained strong momentum in first half of 2012, it has grown to 15 million subscribers, and became the world's biggest IPTV installation. Causal game is one of the value added products offered on IPTV platform.

Business Review

PC Online Games

Headquartered in Shanghai, Net2Gather operates its PC online gaming business through subsidiary namely "Moliyo", which has a subscriber database of more than 40 million for its existing award-winning online games. During the period under review, we have launched the commercial operation of our self-developed 2.5D MMORPGs, known as "Tales of Ocean Fantasy", which has been named the "Most Anticipated Online Games" in China's prestigious Golden Plume Award in 2011. We also have completed several rounds of user acceptance testing for another highly-anticipated self-developed 3D MMORPG, known as "Superhero", which has been named one of the Best Self-Developed Online Games in Golden Plume Awards in 2010. We have collected valuable input from testing participants particularly to optimize the player experience.

During the period under review, the Group has continued to leverage its publishing network and partnership to secure game license deals. We have formed a game licensing agreement with a leading online gaming operator in Singapore and Malaysia to publish "Tales of Ocean Fantasy". We have also established the commercial operations of Portuguese version of "King of Pirates" in Brazil. In addition, we have launched patch updates with additional items and game play features of "King of Pirates" for our overseas license partners.

We will continue to dedicate resources in research and development and raise our operational efficiency, whereas we also look for licensing opportunities of well-received game titles from overseas developers to our online entertainment platform. We will also leverage on our extensive publishing network to license our self-developed MMORPGs to first-class overseas publishers to generate scalable income for our operations.

Mobile Social Games

According to China Internet Networks Information Center, the number of mobile phone users in China had for the first time surpassed the number of PC users in June 2012. Of the one billion mobile phone users, over 25% of them have already switched to smart phones that run either on the Apple iOS or the Android operating system. Mobile games, social games and other mobile Internet apps and content exhibit strong market demand and immense growth potential. To date, China is already the second largest market for Apple App Store downloads, despite with a relatively low ARPU rate.

Social network games tend to have higher retention rate than single player game and generally produce more revenue. Our R&D centre in Suzhou has completed the adaptation of our well-received PC online game "Tales of Ocean Fantasy" into the mobile social game at the end of the second quarter.

To maximise the monetisation of our game content, our mobile gaming development strategy is to develop and distribute mobile social games over social platforms with vast user bases. The games are offered as free downloads to smart phone users and users make purchases and consumption of virtual items while they play with the game. We have already signed distribution agreement with several leading mobile game platforms in Mainland China. We will make use of these platforms to release our game and promote to both Apple iOS and Android mobile phone users in the second half of 2012.

During the period, we continued to localise and distribute Oberon's rich game library. Since 2011 a total of six games had been ported and localised on BADA, Android and Apple iOS platforms.

In addition to the mobile gaming business, we have signed a partnership agreement with Accedo, a leading Swedish IPTV game supplier, to provide over 100 game titles in China. These titles would be distributed through the 1.3 million subscriber base of Shanghai Telecom and would subsequently be rolled out to other IPTV markets in China. We expect to launch these game titles to the other China Telecom operating companies in the second half of 2012.

CFSG — THE GROUP'S ASSOCIATE

Financial Services Business — FSG

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.

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

Broking

Notwithstanding the shrinking trading volume and reduced trading activities in the domestic equities market, CFSG 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 its relentless marketing and client acquisition effort targeted towards the mainland market. Overall, CFSG'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, CFSG 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, it will continue to improve its online trading platform, providing clients with faster, more accurate and more stable trading channel to meet their needs.

CFSG continued to receive wide recognition in mainland China by media and investors. It received the "Most Popular Hong Kong Brokerage Institution" awards from three major mainland media, namely QQ.com, China Finance Online and Money Weekly magazine. It 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, its portfolio management service performed well compared to its relative benchmarks despite the unsettled investment climate worldwide. Thanks to CFSG's disciplined investment style. It strove to increase the assets under management in order to diversify its income sources and smooth out revenue volatility. More importantly, it aims to transform the business model from sales- to service-oriented as the market matures.

Asset Management

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

Investment Banking

Notwithstanding the prevailing lacklustre market sentiment, it has 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, it 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, CFSG is going to maintain its 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 its business and income streams.

China Development

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

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

Outlook

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, CFSG believes 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, CFSG endeavours to maintain its competitive leading position as a technology-driven, fully-fledged financial services company while maintaining a good balance among different products and services. It will continue to focus on improving its electronic trading platform to accommodate the versatile needs of its clients in Hong Kong and mainland China. It has 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 its 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. CFSG will consistently develop its RMB market capability to facilitate mainland market connectivity and to capitalise on each and every opportunity ahead.

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, Pricerite has opened a super mega store at Mongkok with a floor area of more than 30,000 square feet, aiming to offer its 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 Pricerite continued with the store rejuvenation programme, it has revamped a number of stores, offering a more comprehensive and tailored product assortment and services to better serve the needs of its customers. To expand its reach, it has 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 its product assortment, its merchandising and product development team developed and introduced a number of innovative products and solutions. For instance, it has expanded to include 7 tailor-made furniture (TMF) centres to serve the growing demand of the service. In addition to TMF, Pricerite has 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, it 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, it has 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 its official Facebook homepage and online shop respectively in 2011 and 2012. Pricerite has successfully acquired 15,000 Facebook fans and seen accelerating growth in its online shop visits every month. These electronic platforms help build its 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 its service quality, Pricerite has again won the Outstanding Young Salesperson Award (OYSA) held by the Hong Kong Management Association during the period, which praised its 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 Pricerite is aware of the greater external uncertainties due to the deepened financial woes from both US and Europe and the slowdown of China market, it is cautiously seeking market opportunities arising from the changing economic landscape. Pricerite is optimistic on sustaining business growth with its strong management capabilities and solid foundation.

Employee Information

At 30 June 2012, the Group had 306 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$9,249,000.

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 staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation 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 executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

A. The Company

(a) Long positions in the ordinary shares of HK$0.01 each

Name	Capacity	Number of shares			Shareholding
		Personal	Family interest	Corporate interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	3,600,000	—	1,178,701,378*	32.00
Law Ping Wah Bernard	Beneficial owner	107,408,720	—	—	2.91
Ng Kung Chit Raymond	Beneficial owner and family interest	3,399,600	345,600	—	0.10
		114,408,320	345,600	1,178,701,378	35.01

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

(b) Long positions in the underlying shares

Options under share option schemes

Name	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 (3))	outstanding as at 30 June 2012	Percentage to issued shares as at 30 June 2012 (%)
Kwan Pak Hoo Bankee	3/6/2010	3/6/2010–31/5/2012	0.1667	(1) & (2)	24,000,000	(24,000,000)	—	—
Law Ping Wah Bernard	3/6/2010	3/6/2010–31/5/2012	0.1667	(2)	24,000,000	(24,000,000)	—	—
Ng Kung Chit Raymond	3/6/2010	3/6/2010–31/5/2012	0.1667	(2)	12,000,000	(12,000,000)	—	—
					60,000,000	(60,000,000)	—	—

Notes:

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

(2) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 May 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 May 2012. All options will vest until the grantee having been the members of the Group for 18 months from the date of grant.

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

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

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

B. Associated corporations (within the meaning of SFO)

CFSG

(a) Long positions in the ordinary shares of HK$0.02 each

Name	Capacity	Number of shares: Personal	Number of shares: Family interest	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	—	1,725,160,589*	44.02
Law Ping Wah Bernard	Beneficial owner	27,506,160	—	—	0.70
Ng Kung Chit Raymond	Beneficial owner and family interest	5,577,000	99,000	—	0.14
		33,083,160	99,000	1,725,160,589	44.86

* 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 the Company), and as to 67,359,520 shares by Cash Guardian. The Company was beneficially owned as to approximately 32.00% by Mr Kwan and Cash Guardian was 100% beneficially owned by Mr Kwan, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Mr Kwan was deemed to be interested in all the shares held by CIGL and Cash Guardian in CFSG.

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).

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 CFSG. 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 CFSG under the Share Charges as disclosed 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 CFSG pursuant to the SFO.

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

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2012	Number of options outstanding as at 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	0.2764	(1), (2) & (3)	22,000,000	22,000,000	0.56
Law Ping Wah Bernard	15/10/2010	15/10/2010–31/10/2012	0.2764	(2) & (3)	33,000,000	33,000,000	0.84
Ng Kung Chit Raymond	15/10/2010	15/10/2010–31/10/2012	0.2764	(2) & (3)	5,500,000	5,500,000	0.14
					60,500,000	60,500,000	1.54

Notes:

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

(2) The options were vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 October 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 October 2012.

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

Save as disclosed above, as at 30 June 2012, none of the directors, chief executive or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEMES

The Company

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 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						
3/6/2010	3/6/2010–31/5/2012	0.1667	(1) & (2)	60,000,000	(60,000,000)	—
Employees						
3/6/2010	3/6/2010–31/5/2012	0.1667	(2)	96,000,000	(96,000,000)	—
Consultants						
29/11/2010	29/11/2010–30/11/2013	0.8600	(3)	30,000,000	—	30,000,000
				186,000,000	(156,000,000)	30,000,000

Notes:

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

(2) The options are vested in 2 tranches as to (i) 50% exercisable from 1 January 2011 up to 31 May 2012; and (ii) 50% exercisable from 1 January 2012 up to 31 May 2012. All options will be vested until the grantee having been the members of the Group for 18 months from the date of grant.

(3) The options were granted to consultants of the Group for the services to be provided to the Group. The options will be exercisable within 7 days from the date of completion of the services determined at the sole discretion of the Board of Directors.

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

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

The subsidiary

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

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

Substantial Shareholders

As at 30 June 2012, so far as is known to the directors and chief executive of the Company, the persons/companies, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Note (1))	Interest in a controlled corporation	1,178,701,378	31.91
Cash Guardian (Note (1))	Interest in a controlled corporation	1,178,701,378	31.91

Notes:

(1) This refers to the same number of shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in the shares held by Cash Guardian.

(2) Mr Kwan (a director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 1,182,301,378 shares (32.00%), which were held as to 1,178,701,378 shares by Cash Guardian and as to 3,600,000 shares in his personal name. Detail of his interest is set out in the section "Directors' interests in securities" above.

Save as disclosed above, as at 30 June 2012, so far as is known to the directors and chief executive of the Company, no other parties (other than a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Corporate Governance

During the accounting period from 1 January 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 roles of chairman and chief executive officer ("CEO") of the Company did not separate and were performed by the same individual, Mr Kwan Pak Hoo Bankee, as provided for in code provision A.2.1. Mr Kwan Pak Hoo Bankee, Chairman of the Board, also assumes the role of CEO of the Company during the underlying period. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

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 of the Company held in May 2012 as provided for in code provision E.1.2 as he was on an overseas engagement.

The independent non-executive Directors, Mr Wong Chuk Yan and Dr Chan Hak Sin, were unable to attend the annual general meeting of the Company held in May 2012 as provided for in code provision A.6.7 as they were on an 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 our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman & CEO

Hong Kong, 24 August 2012

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

Executive directors:

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

Independent non-executive directors:

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