NET2GATHER (CHINA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1049)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

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

		Unaudited Six months ended 30 June	
	Notes	**2011 HK$'000**	2010 HK$'000 (restated)
Continuing operations			
Revenue	(4)	**12,184**	8,747
Other income and gains		**-**	920
Cost of sales and services		**(5,342)**	(3,944)
Salaries, allowances and commission		**(12,038)**	(11,889)
Other operating, administrative and selling expenses		**(14,823)**	(9,229)
Depreciation of property and equipment		**(3,470)**	(3,243)
Finance costs		**(6,814)**	(4,966)
Net (loss) gain on financial assets at fair value through profit or loss		**(3,381)**	15,559
Fair value gain on investment properties		**-**	5,100
Share of loss of associates		**(4,064)**	-
Loss before taxation		**(37,748)**	(2,945)
Income tax expense	(6)	**(378)**	-
Loss for the period from continuing operations		**(38,126)**	(2,945)
Discontinued operations			
Profit for the period from discontinued operations		**-**	8,365
(Loss) profit for the period		**(38,126)**	5,420

	Note	Unaudited Six months ended 30 June **2011** **HK$'000**	 2010 HK$'000 (restated)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		**512**	168
Other comprehensive income for the period, net of tax		**512**	168
Total comprehensive income for the period		**(37,614)**	5,588
(Loss) profit for the period attributable to:			
Owners of the Company			
Loss for the period from continuing operations		**(40,058)**	(2,945)
Profit for the period from discontinued operations		**-**	4,042
(Loss) profit for the period attributable to owners of the Company		**(40,058)**	1,097
Non-controlling interests			
Profit for the period from continuing operations		**1,932**	-
Profit for the period from discontinued operations		**-**	4,323
Profit for the period attributable to non-controlling interests		**1,932**	4,323
		(38,126)	5,420
Total comprehensive income attributable to:			
Owners of the Company		**(39,546)**	1,265
Non-controlling interests		**1,932**	4,323
		(37,614)	5,588
(Loss) earnings per share	(7)		
From continuing and discontinued operations:			
- Basic and diluted		**HK(1.23) cents**	HK0.04 cent
From continuing operations:			
- Basic and diluted		**HK(1.23) cents**	HK(0.12) 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		**21,765**	19,986
Investment properties		**95,810**	95,810
Goodwill		**188,318**	83,361
Interests in associates		**400,919**	410,922
Intangible assets		**45,829**	25,460
		752,641	635,539
Current assets			
Accounts receivable	(8)	**9,088**	632
Prepayments, deposits and other receivables		**14,623**	10,578
Held for trading investments		**8,847**	1,875
Bank balances and cash		**154,328**	81,951
		186,886	95,036
Current liabilities			
Accounts payable	(9)	**2,587**	32
Deferred revenue		**4,584**	2,482
Accrued liabilities and other payables		**25,972**	17,924
Taxation payable		**15**	29
Obligations under finance leases – amount due within one year		**595**	-
Borrowings – amount due within one year		**132,828**	153,681
Convertible notes		**8,643**	18,733
		175,224	192,881
Net current assets (liabilities)		**11,662**	(97,845)
Total assets less current liabilities		**764,303**	537,694

	Note	**30 June 2011 (Unaudited) HK$'000**	31 December 2010 (Audited) HK$'000
Capital and reserves			
Share capital	(11)	**37,113**	30,902
Reserves		**678,665**	481,270
Equity attributable to owners of the Company		**715,778**	512,172
Non-controlling interests		**17,208**	-
Total equity		**732,986**	512,172
Non-current liabilities			
Deferred tax liabilities		**7,236**	7,222
Obligations under finance leases – amount due after one year		**1,016**	-
Borrowings – amount due after one year		**23,065**	18,300
		31,317	25,522
Total equity and liabilities		**764,303**	537,694

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$'000**	**General reserve HK$'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	-	-	-	-	-	512	-	-	-	512	-	512
Total comprehensive income for the period	-	-	-	-	-	512	-	-	(40,058)	(39,546)	1,932	(37,614)
Exercise of share options (Note)	612	5,152	-	-	-	-	(3,490)	-	3,490	5,764	-	5,764
Issue of new shares (Note)	3,080	152,494	-	-	-	-	-	-	-	155,574	-	155,574
Issue of new shares for acquisitions of subsidiaries (Note)	958	70,181	-	-	-	-	-	-	-	71,139	15,276	86,415
Shares issued upon conversion of convertible notes (Note)	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**

	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$'000	General reserve HK$'000	Convertible notes equity reserve HK$'000	Other reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	20,551	364,575	138,926	1,160	20,286	12,314	4,571	3,923	15,564	(213,239)	368,631	278,765	647,396
Profit for the period	-	-	-	-	-	-	-	-	-	1,097	1,097	4,323	5,420
Other comprehensive income for the period	-	-	-	-	-	-	168	-	-	-	168	-	168
Total comprehensive income for the period	-	-	-	-	-	-	168	-	-	1,097	1,265	4,323	5,588
Share-based payments of the Company	-	-	-	-	-	-	-	3,736	-	-	3,736	(1,549)	2,187
At 30 June 2010	20,551	364,575	138,926	1,160	20,286	12,314	4,739	7,659	15,564	(212,142)	373,632	281,539	655,171

Note: Please refer to note (11) of share capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Net cash used in operating activities	**(42,571)**	(152,671)
Net cash (used in) generated from investing activities	**(74,187)**	125,060
Net cash generated from (used in) financing activities	**189,135**	(30,280)
Net increase (decrease) in cash and cash equivalents	**72,377**	(57,891)
Cash and cash equivalents at beginning of period	**81,951**	278,987
Cash and cash equivalents at end of period	**154,328**	221,096
Bank balances and cash	**154,328**	221,096

Notes:

(1) Change of Company name

Pursuant to a special resolution passed by the shareholders at a special general meeting of the Company held on 3 June 2011, the name of the Company was changed to "Net2Gather (China) Holdings Limited" and "網融(中國)控股有限公司" was registered as its secondary name with effect from 3 June 2011.

(2) Basis of preparation

The Company is incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended) and its shares are listed on the Stock Exchange.

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 ("Listing Rules") and by the Hong Kong Companies Ordinance.

(3) 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 (Amendments)	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 (Amendments)	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.

(4) Revenue

Revenue represents revenue arising from the operations of mobile internet business. An analysis of the Group's revenue for the period from continuing operations is a follows:

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000 (restated)
Mobile internet subscription income	**9,763**	5,497
Licensing income	**2,421**	3,250
	12,184	8,747

(5) Business and geographical segments

Business 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 goods or services delivered or provided.

The Group's operating and reporting segments under HKFRS 8 "Operating Segments" are as follows:

Mobile internet services	Provision of mobile internet services, sales of online game auxiliary products and licensing services
Financial services	Broking, financing, corporate finance services and securities trading
Retailing	Sales of furniture and household goods and electrical appliances

Upon the loss of control over CASH Financial Services Group Limited ("CFSG") due to decrease in the Group's voting power on CFSG from 52.88% to 49.94% in October 2010, CFSG ceased as a subsidiary of the Company and became an associate of the Company with effect from 11 October 2010. As a result, the Group's financial services and retailing operations which was carried out by CFSG for the period from 1 January 2010 to 10 October 2010 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 2011

	Continuing operations	Discontinued operations			
	Mobile internet services HK$'000	Financial services HK$'000	Retailing HK$'000	Total HK$'000	Consolidated HK$'000
Reportable segment revenue					
From external customers	**12,184**	**-**	**-**	**-**	**12,184**
Reportable segment loss	**(11,266)**	**-**	**-**	**-**	**(11,266)**
Net loss on financial assets at fair value through profit and loss					**(3,381)**
Unallocated corporate expenses					**(12,223)**
Share of loss of associates					**(4,064)**
Finance costs					**(6,814)**
Loss before taxation					**(37,748)**

For the six months ended 30 June 2010

	Continuing operations	Discontinued operations			
	Mobile internet services HK$'000	Financial services HK$'000	Retailing HK$'000	Total HK$'000	Consolidated HK$'000
Reportable segment revenue From external customers	8,747	124,823	484,333	609,156	617,903
Reportable segment (loss) profit	(5,884)	2,111	6,254	8,365	2,481
Other income and gains					920
Net gain on financial assets at fair value through profit and loss					15,559
Unallocated corporate expenses					(13,174)
Fair value gain on investment properties					5,100
Finance costs					(4,966)
Profit before taxation					5,920

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, other income and gains, unallocated corporate expenses, finance costs, fair value gain on investment properties and share of results of associates. 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 continuing operation is located in the People’s Republic of China (“PRC”).

(6) Income tax expense

	Unaudited Six months ended 30 June	
	2011	2010
	HK$'000	HK$'000 (restated)
Continuing operations		
Current taxation :		
- PRC Enterprise Income Tax	**378**	-
- Hong Kong Profits Tax	-	-
	378	-

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax had been provided as the Group has no assessable profits arising in or deriving from Hong Kong for the current and prior periods.

Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdiction in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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.

(7) (Loss) earnings per share

From continuing and discontinued operations

The calculation of the 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	2010
	HK$'000	HK$'000
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	**(40,058)**	1,097

The denominators used are the same as those detailed below for the (loss) earnings 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) earnings per share from continuing and discontinued operations even though they are dilutive, because the control number (loss per share from continuing operations attributable to the owners of the Company) is antidilutive towards the potential ordinary shares.

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	
	2011	2010
	HK$'000	HK$'000
		(restated)
(Loss) profit for the period attributable to the owners of the Company	**(40,058)**	1,097
Less: Profit for the period from discontinued operations attributable to the owners of the Company	-	(4,042)
Loss for the purpose of basic and diluted loss per share from continuing operations	**(40,058)**	(2,945)

	Unaudited Six months ended 30 June	
	2011	2010
	’000	’000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share from continuing operations	**3,257,935**	2,466,062

Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 24 September 2010, a total of approximately 46,601,000 bonus shares were issued on the basis of one bonus share for every five existing shares held by the shareholders. In addition, pursuant to an ordinary resolution passed by the shareholders at a special general meeting of the Company held on 27 October 2010, each of the Company's share was subdivided into ten shares. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share have been adjusted for the share subdivision and the bonus issue for both periods.

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 2010 is HK 0.16 cent per share.

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 earnings per share from discontinued operations even though they are dilutive, because the control number (loss per share from continuing operations attributable to the owners of the Company) is antidilutive towards the potential ordinary shares.

(8) Accounts receivable

The Group allows a credit period ranging from 30 days to 90 days to its accounts receivable. The aged analysis of the Group's accounts receivable net of impairment loss based on the invoice date as at the end of the reporting period is as follows:

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Within 30 days	**6,115**	625
31-60 days	**922**	2
61-90 days	**-**	5
Over 90 days	**2,051**	-
	9,088	632

(9) 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.

(10) 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, obligations under finance leases, convertible notes and equity attributable to the owners of the Company, comprising issued share capital, retained earnings/accumulated losses 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 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.

Categories of financial instruments

	30 June 2011 (Unaudited) HK$'000	31 December 2010 (Audited) HK$'000
Financial assets		
Held for trading investment	**8,847**	1,875
Loans and receivables (including cash and cash equivalents)	**158,649**	86,904
	167,496	88,779
Financial liabilities		
Amortised cost	**195,839**	208,670

Financial risk management objectives and policies

The Group's corporate treasury function provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of some of these risks by using derivative financial instruments. The use of derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign currency risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade derivative financial instruments for speculative purposes.

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.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risk 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 is used when reporting equity price risk internally to key management's assessment of the reasonably possible change in equity price.

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$1,327,000 (2010: the Group's profit would increase/decrease by approximately HK$2,346,000). 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 loan receivables. The Group currently does not have a cash flow interest rate 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. A 50 basis points (2010: 50 basis points) change is used when reporting cash flow interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

The Group's 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 had been 50 basis points (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's loss would decrease/increase by approximately HK$3,800,000 (2010: the Group's profit would increase/decrease by approximately HK$2,800,000). This is mainly attributable to the Group exposure to the interest rates on variable-rate borrowings.

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.

(11) Share capital

	Notes	Par value of each ordinary share	Number of shares	Amount
		HK$	'000	HK$'000
Ordinary shares				
Authorised:				
At 1 January 2011 and 30 June 2011		0.01	30,000,000	300,000
Issued and fully paid:				
At 1 January 2011		0.01	3,090,223	30,902
Exercise of share options	(a)	0.01	61,200	612
Issue of top up shares	(b)	0.01	308,000	3,080
Shares issued upon conversion of convertible notes	(c)	0.01	156,062	1,561
Issue of consideration shares	(d)	0.01	95,802	958
At 30 June 2011		0.01	3,711,287	37,113

Notes:

(a) On 28 March 2011 and 31 March 2011, respective 25,200,000 and 36,000,000 share options were exercised at an exercise price of HK$0.0942 each resulting in the issue of a total of 61,200,000 new shares of HK$0.01 each for a total consideration (before expenses) of HK$5,765,040. These shares rank pari passu in all respects with other shares in issue.

(b) On 15 April 2011 and 13 June 2011, respective 100,000,000 and 208,000,000 top up shares of HK$0.01 each were allotted to Cash Guardian Limited at a top up price of HK$0.50 and HK$0.51 each respectively. These shares rank pari passu in all respects with other shares in issue.

(c) On 15 April 2011, 27 April 2011 and 17 June 2011, respective 72,028,811, 36,014,405 and 48,019,207 new ordinary shares of the Company of HK$0.01 each were issued to Cash Guardian Limited at a conversion price of HK$0.0833 each upon the partial conversion of the convertible notes with principal amount of HK$6,000,000, HK$3,000,000 and HK$4,000,000 respectively.

(d) On 26 April 2011 and 17 June 2011, respective 63,564,000 and 32,237,569 consideration shares of HK$0.01 each were issued as consideration for acquisition of subsidiaries. These shares rank pari passu in all respects with other shares in issue.

(12) Related party transactions

The Group had the following transactions with a related party during the period:

	Notes	**Unaudited Six months ended 30 June 2011 HK$'000**	2010 HK$'000
Interest expenses paid to Cash Guardian Limited	(a) & (b)	**241**	429

Notes:

(a) During the six months ended 30 June 2011, the Group paid interest expense of approximately HK$241,000 (2010: HK$429,000) to Cash Guardian Limited in relation to the issue of convertible notes.

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

(13) Dividend

	Unaudited Six months ended 30 June 2011 HK$'000	2010 HK$'000
Dividends recognised as distribution during the period:		
2011 Interim - Nil (2010: HK 2 cents per share)	-	4,510

(14) Contingent liabilities

On 16 March 2010, EStsoft Corporation ("ESTsoft") filed a civil action against 上海摩力游數字娛樂有限公司 (translated as Shanghai Moliyo Digital Entertainment Limited) ("Shanghai Moliyo"), a subsidiary of the Company, under which ESTsoft claimed that Shanghai Moliyo was infringement act against the online game licenses granted and claimed for the loss of approximately RMB8,227,000. Court procedures are still in progress. No provision has been made in the consolidated financial statement as in the opinion of the directors of the Company, the potential liability arising in connection with the case is not probable.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2011 (2010: HK 2 cents per ordinary share based on 225,505,148 shares).

REVIEW AND PROSPECTS

Financial Review

Financial Performance

During the period under review, the Group ceased to consolidate the revenue and operating results of CASH Financial Services Group Limited ("CFSG") subsequent to the decrease in the Group's voting power in CFSG from 52.88% to 49.94% in October 2010. As such, with effect from 11 October 2010, CFSG became the Group's associate. For the six months ended 30 June 2011, the revenue and operating results of CFSG were disclosed as share of results of associates. Accordingly, the comparatives of the consolidated statement of comprehensive income for the same period last year have been restated and the operating results of CFSG were reclassified and disclosed as profit (loss) for the period from discontinued operations to conform with the presentation of the current period.

For the six months ended 30 June 2011, the online game market in the PRC remained competitive. The Group continued to implement stringent cost controls over its operations while remained dedicated to developing the two proprietary online games. During the period under review, the Group had carried out several mergers and acquisitions to expand its business into Mobile Internet services in China. The financial services business, retail and franchising operations, being the activities carried out by CFSG, had been affected by the global challenging environment and uncertainties amid the inflationary pressure in all aspects. Overall, the Group recorded a net loss of HK$38.1 million for the six months ended 30 June 2011 as compared to profit of HK$5.4 million (as restated) of last corresponding period.

MOBILE INTERNET

To capture the ample business opportunities emerging from the tremendous growth in mobile data transmission and associated mobile data services in China soon after the Central Government's policy to converge the three networks, namely internet, telecom and television broadcasting, the Group has strategically adopted a multi-faceted approach to expand its business into online game and Mobile Internet services targeting to develop ourselves into an end-to-end Mobile Internet services powerhouse. In relation to the online game business, the Group has pursued a sustainable growth strategy to enrich its portfolio of self-developed online games in a variety of styles in order to expand its player base in both PRC and overseas markets. During the period under review, the Group had dedicated most of its resources to developing two proprietary online games, namely "Tales of Ocean Fantasy" and "Superhero" which have been scheduled for commercial launch late this year or early next year. The Board is confident that the two new games will make significant contribution in revenue very soon in the days ahead. In relation to the Mobile Internet service, the Group has acquired (1) 51% equity interest in Yole Wireless Technology (Hongkong) Co., Limited ("Yole") (a leading mobile digital entertainment content provider in the PRC) and (2) Oberon Information Technology (Suzhou) Co. Ltd. ("Oberon Media (China)"), the PRC arm of a US game developer for the joint development, distribution and marketing of mobile casual and social games in China. These acquisitions will definitely bring tremendous values to the Group and accelerate our pace to capture the lucrative Mobile Internet market in China. The Group will continue to expand the Mobile Internet platform through this merger and acquisition approach and at the same time dedicate to expanding our online games portfolio. For the six month ended 30 June 2011, the Group recorded revenue of HK$12.2 million and net loss of HK$11.3 million as compared to revenue of HK$8.7 million and a net loss of HK$5.9 million of last corresponding period.

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, CFSG'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. CFSG'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 its 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, CFSG'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$2.1 million for the same period last year. CFSG 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 for 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 equity attributable to the owners of the Company amounted to HK$715.8 million on 30 June 2011 as compared to HK$512.2 million at the end of last year. The net increase in equity was the combined results of the loss reported for the period and issue of new shares during the period.

As at 30 June 2011, the Group had total interest bearing borrowings of approximately HK$166.1 million, as compared to HK$190.7 million on 31 December 2010. The decrease in borrowings was due to the partial conversion of convertible notes by a substantial shareholder during the period and the repayment of bank loans. Among the above bank borrowings, HK$52.8 million were secured by the leasehold and investment properties, securities and pledged deposits. The remaining borrowings were unsecured.

As at 30 June 2011, our cash and bank balances totalled HK$154.3 million as compared to HK$82.0 million at the end of the previous year. The substantial increase in the cash and bank balances was mainly due to the proceeds from the issue of new shares of the Company during the period. Our liquidity ratio on 30 June 2011 was healthy at 1.1 times as compared with 0.5 time on 31 December 2010.

The gearing ratio, representing the ratio of interest bearing borrowings of the Group divided by the total equity, was 0.23 on 30 June 2011 as compared to 0.37 on 31 December 2010, 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

On 11 January 2011, the Group announced a discloseable transaction relating to acquisition of a 51% equity interest in Yole at a consideration of RMB81,600,000 (equivalent to approximately HK$95,602,560). The consideration was settled as to 50% in cash and as to 50% by the issue of the Company's new shares. The acquisition was completed on 26 April 2011.

On 7 June 2011, the Group announced a share transaction involving acquisition of Oberon Media (China) and deemed disposal of Moli Mobile Digital Entertainment Holdings Limited ("Moli Mobile"). The consideration of USD10,000,000 (equivalent to approximately HK$77,800,000) was settled as to 70% by issue of Moli Mobile's consideration shares and as to 30% by issue of the Company's new shares. The transaction was completed on 17 June 2011.

Save as the above, 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 2011, the Group was holding a portfolio of listed investments and unlisted investment funds with market values of approximately HK$8.8 million and net loss on listed investments and unlisted investment funds totally of HK$3.4 million was recorded for the period.

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

Business Review – Mobile Internet

By aggregating outstanding Mobile Internet and PC online services into an integrated platform, including content (upstream), operations (midstream), marketing and distribution channels (downstream), Net2Gather aims to build a cross-value chain of activities to enable people to "Come-2-Gather" in an online community in China that combines Mobile, Internet and TV platforms, which is in line with the Central Government's policy of network convergence.

Mobile Internet

By the end of April 2011, the Chinese mobile handset user base had exceeded 900 million, according to China's Ministry of Industry and Information Technology. Figures from the China Internet Network Information Center showed the mobile internet user population rose from 233 million to 303 million, representing a year-on-year increase of 30%. Due to the surging popularity of smart phones, improved penetration of 3G networks and increasing diversity of application software ("apps"), users are now seeking to consume more sophisticated multimedia and interactive functions via online downloads to their mobile handsets. Hence, increasingly rich content along with more complex applications, such as games, music and ringtones, are becoming available and popular.

To seize the business opportunities in this golden era of the Mobile Internet industry, Net2Gather completed two strategic mergers and acquisitions during the period under review. The company acquired (1) Oberon Media (China), a member of the Oberon Media Group ("Oberon"), one of the largest global mobile and social game developers and an industry standard-setter on games and related content and solutions. These have been adopted by some of the world's most innovative companies, including Microsoft, AT&T, Electronic Arts, Orange France and Yahoo!. Net2Gather also acquired (2) a majority stake in Yole from Injoy Information Technology Company Limited. Yole is a leading and fast-growing market player in the Mobile Internet industry in China.

Following the completion of the acquisition of Oberon Media (China), a support center was set up in Suzhou to provide technical support for Oberon's games. We have already completed the porting and localization of two mobile games, and formed distribution agreements with two leading mobile content publishers in China. We also intend to seek strategic partnerships with leading mobile content developers and publishers in North America and Japan in order to introduce quality mobile game titles into China.

Yole currently owns a diverse portfolio of apps, including mobile games, ringtones, and animations, among others. The aggregated number of apps downloads has been growing, reaching 40 million during the period under review. One of the most popular apps, "Skin Wizard", recorded over 30 million downloads across Android, Symbian and MTK mobile operating platforms. The company has formed strategic partnerships with China Mobile and China Unicom, and is among the first batch of partners for the "Mobile Market", being established by China Mobile, and the release of a proprietary smart phone, known as the "Uphone", by China Unicom.

Yole has developed a location-based social networking service (SNS) platform called "Meyouto" for mobile handset users in China. The closed-beta version is set to be released in the first quarter of 2012. It is expected to be formally launched by the second half of 2012, with enhanced system functionality and content. Due to increasing shipment and market potential of smart phones, especially the Android operating system, Yole will actively seek further opportunities to co-operate with mobile handset developers for pre-installation of mobile apps and gaming content to achieve more extensive promotional coverage.

Given Oberon and Yole's role as key digital entertainment content providers and distributors, Net2Gather is seeking to accelerate both pace and scope to form a complete value chain for our Mobile Internet business and capitalize on the significant development of the Mobile Internet industry. We will further extend our distribution capability through the TV platform.

Online Gaming

According to the Ministry of Culture, the online gaming market reached RMB34.9 billion in 2010, representing a year-on-year increase of 26.2%. Despite the slower rise in market size compared with previous years, the user base continued to experience strong growth. Online gamers reached over 120 million in 2010, representing a year-on-year increase of 37%. Among those, 92.5% of the market share was attributable to PC online gaming market, while the Mobile Internet gaming market accounted for the rest.

The Ministry of Culture of the PRC issued its "Tentative Measures for Online Game Administration" ("Tentative Measures") in 2010. As the first ministry-level rules specifically governing the regulation of China's lucrative online gaming market, the Tentative Measures apply to the development and operation of online games, virtual currency for online games, as well as virtual currency transaction services. Further implementation of the Tentative Measures is expected to create a healthier and more regulated operating environment for the sustainable growth of the online gaming market.

Headquartered in Shanghai with over 300 dedicated employees, including about 200 gaming research and development (R&D) professionals, Net2Gather operates its PC online gaming business through subsidiary Moliyo, which has a subscriber base of more than 40 million for its existing award-winning online games.

The veteran game developer recently developed two much-anticipated Massively Multiplayer Online Role-playing Games (MMORPGs), known as "Tales of Ocean Fantasy" and "Superhero". During the period under review, we completed several user acceptance tests for these two games, with increasingly positive reception from gamers. "Tales of Ocean Fantasy", a 2.5D MMORPG revolving around the battle to rebuild an island wonderland, will be launched in the third quarter of 2011. A cross-platform promotional and operational strategy will be implemented, as the social game version for a browser-based platform and casual game versions for mobile phones will be developed soon. "Superhero" is a 3D console-like MMORPG using innovative next-generation game engine techniques in a stunning fantasy world. It is eagerly awaited after being named one of the Best Self-Developed Online Games in China's prestigious Golden Plume Awards in 2010. "Superhero" is scheduled to be launched by the end of 2011 or early next year.

In addition, during the period under review, we provided several patches with content updates for our award-winning MMORPG, "King of Pirates", for our overseas licensees. We received the Overseas Development Award for Domestic Game Developers in the Golden Phoenix Awards at the China Game Industry Annual Conference in recognition of our outstanding performance in overseas publishing markets, including North America, Russia, Taiwan and Southeast Asia.

We will continue to dedicate resources to research and development and raise our operational efficiency. We will look for licensing opportunities to add well-received game titles from overseas developers to our online entertainment platform and further enrich our product portfolio. We will also leverage our extensive publishing network to license our self-developed MMORPGs to first-class overseas publishers to generate scalable licensing income streams for our operations.

Business Review - Financial Services

Broking

On the back of cautious investment activities amid uncertainties, CFSG'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 CFSG. 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

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 444 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$9,874,000.

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 2011, 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	Other interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	3,600,000	-	1,178,701,378*	31.86
Law Ping Wah Bernard	Beneficial owner	107,408,720	-	-	2.89
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	34.85

* 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

(i) 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 2011	granted on 25 March 2011 (Notes (3) & (4))	exercised on 28 March 2011 (Note (5))	outstanding as at 30 June 2011	Percentage to issued shares as at 30 June 2011 (%)
Kwan Pak Hoo Bankee	13/3/2009	13/3/2009 – 31/3/2011	0.0942	(1)	3,600,000	-	(3,600,000)	-	-
	3/6/2010	3/6/2010 – 31/5/2012	0.1667	(1)	24,000,000	-	-	24,000,000	0.65
	25/3/2011	25/3/2011 – 24/3/2013	0.5920	(1) & (2)	-	60,000,000	-	60,000,000	1.62
Law Ping Wah Bernard	13/3/2009	13/3/2009 – 31/3/2011	0.0942		3,600,000	-	(3,600,000)	-	-
	3/6/2010	3/6/2010 – 31/5/2012	0.1667		24,000,000	-	-	24,000,000	0.65
Ng Kung Chit Raymond	3/6/2010	3/6/2010 – 31/5/2012	0.1667		12,000,000	-	-	12,000,000	0.32
					67,200,000	60,000,000	(7,200,000)	120,000,000	3.24

Notes:

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

(2) The vesting of the options is subject to individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(3) The closing price of the share immediately before the date of grant of options on 25 March 2011 was HK$0.6100.

(4) 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.

(5) The options were exercised at an exercise price of HK$0.0942 each by the directors of the Company on 28 March 2011. The weighted average closing price of the shares of the Company immediately before the date of exercise was HK$0.6800 per share.

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

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

(ii) Convertible note

Name of noteholder (Note (1))	Date of issue	Conversion period	Conversion price per share (as adjusted) (HK$)	Outstanding as at 1 January 2011 (HK$)	Partial conversion during the period (Note (2)) (HK$)	Outstanding as at 30 June 2011 (HK$)	Number of underlying shares	Percentage to issued shares as at 30 June 2011 (%)
Cash Guardian	17/2/2009	17/8/2009 – 31/12/2011	0.0833	28,243,000	(13,000,000)	15,243,000	182,989,192	4.93

Notes:

(1) The convertible note was held by Cash Guardian. 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.

(2) During the period, the noteholder has exercised its right for partial conversion of the convertible note in the principal amount of HK$13,000,000 and a total number of 156,062,423 new shares were issued.

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	Family interest	Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	-	-	1,707,220,589*	43.25
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	1,707,220,589	44.09

* 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 the Company), and as to 67,359,520 shares by Cash Guardian. The Company was beneficially owned as to 31.86% 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 the Company.

(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 2011	exercised on 15 March 2011 (Note (5))	granted on 23 March 2011 (Notes (6) & (7))	adjusted on 17 May 2011 (Note (8))	outstanding as at 30 June 2011	Percentage to issued shares as at 30 June 2011 (%)
Kwan Pak Hoo Bankee	15/06/2009	15/06/2009 - 30/06/2013	0.1468	(1) & (2)	25,000,000	(25,000,000)	-	-	-	-
	15/10/2010	15/10/2010 - 31/10/2012	0.2764	(1) & (3)	20,000,000	-	-	2,000,000	22,000,000	0.56
	23/3/2011	23/3/2011 - 22/3/2013	0.4173	(1) & (4)	-	-	70,000,000	7,000,000	77,000,000	1.95
Law Ping Wah Bernard	15/06/2009	15/06/2009 - 30/06/2013	0.1468	(2)	25,000,000	(25,000,000)	-	-	-	-
	15/10/2010	15/10/2010 - 31/10/2012	0.2764	(3)	30,000,000	-	-	3,000,000	33,000,000	0.84
Ng Kung Chit Raymond	15/10/2010	15/10/2010 - 31/10/2012	0.2764	(3)	5,000,000	-	-	500,000	5,500,000	0.14
					105,000,000	(50,000,000)	70,000,000	12,500,000	137,500,000	3.49

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 15 December 2009 up to 30 June 2013; and (ii) 50% exercisable from 15 June 2010 up to 30 June 2013.

(3) 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.

(4) The vesting of the options is subject to individual performance and/or corporate performance to be achieved on or before 31 August 2011.

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

(6) The closing price of CFSG's share immediately before the date of grant of options on 23 March 2011 was HK$0.4500.

(7) 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.

(8) 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 CFSG 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$
15/10/2010	0.3040	0.2764
23/03/2011	0.4590	0.4173

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

				Number of options			
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2011	granted during the period (Notes (6) & (7))	exercised during the period (Note (5))	outstanding as at 30 June 2011
Directors							
13/3/2009	13/3/2009 – 31/3/2011	0.0942	(1)	7,200,000	-	(7,200,000)	-
3/6/2010	3/6/2010 – 31/5/2012	0.1667	(1)&(2)	60,000,000	-	-	60,000,000
25/3/2011	25/3/2011 – 24/5/2013	0.5920	(1)&(4)	-	60,000,000	-	60,000,000
				67,200,000	60,000,000	(7,200,000)	120,000,000
Employees							
13/3/2009	13/3/2009 – 31/3/2011	0.0942		54,000,000	-	(54,000,000)	-
3/6/2010	3/6/2010 – 31/5/2012	0.1667	(2)	96,000,000	-	-	96,000,000
				150,000,000	-	(54,000,000)	96,000,000
Consultants							
29/11/2010	29/11/2010 – 30/11/2013	0.8600	(3)	30,000,000	-	-	30,000,000
				247,200,000	60,000,000	(61,200,000)	246,000,000

Notes:

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

(2) For the options granted on 3 June 2010, 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) For the options granted on 29 November 2010, 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 vesting of the options is subject to individual performance and/or corporate performance to be achieved on or before 31 August 2011.

(5) The number of share options exercised during the period together with the exercise price and the weighted average closing price are listed as follows:

Date of exercise	Number of options exercised	Exercise price per share HK$	Weighted average closing price HK$
28/3/2011	25,200,000	0.0942	0.6800
31/3/2011	36,000,000	0.0942	0.6700
	61,200,000		

(6) The closing price of the share immediately before the date of grant of options on 25 March 2011 was HK$0.6100.

(7) 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.

(8) No option was lapsed 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 2011, 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)	Interest in a controlled corporation	1,178,701,378	31.76
Cash Guardian (Note)	Beneficial owner	1,178,701,378	31.76

Note: 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 (a director whose interests are not shown in the above table) and Hobart Assets Limited were deemed to be interested in the shares held by Cash Guardian. Together with 3,600,000 shares in the Company held by Mr Kwan in his personal name, Mr Kwan was beneficially interested in a total of 31.86% shareholding interest in the Company. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' interests in securities" above.

Save as disclosed above, as at 30 June 2011, 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 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 with except for the deviations summarised as follows:

CG Code		Deviation and reason
A.2.1	The roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	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.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2011.

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 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, 29 August 2011

As at the date hereof, 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