REORIENT GROUP LIMITED

STOCK CODE 376

Interim Report 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Jason Boyer *(Vice Chairman)*
Mr. Brett McGonegal
(Chief Executive Officer)
Mr. Chen Shengjie
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Independent Non-Executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard
Dr. Wong Yau Kar, David, BBS, JP

AUDIT COMMITTEE

Mr. Chu Chung Yue, Howard *(Chairman)*
Mr. Liu Zhengui
Mr. Ding Kebai

REMUNERATION COMMITTEE

Mr. Liu Zhengui *(Chairman)*
Mr. Ko Chun Shun, Johnson
Mr. Chu Chung Yue, Howard

NOMINATION COMMITTEE

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Liu Zhengui
Mr. Chu Chung Yue, Howard

COMPANY SECRETARY

Mr. Jim Pak Keung, Patrick

AUDITOR

KPMG
Certified Public Accountants

BANKERS

HSBC
Goldman Sachs International
Hang Seng Bank

REGISTERED OFFICE AND PRINCIPAL OFFICE

Suites 1101-03
11/F., Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.reorientgroup.com

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MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of REORIENT GROUP LIMITED (the "Company") is pleased to present the unaudited condensed consolidated interim results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012.

BUSINESS REVIEW AND PROSPECTS

At the half-way point of 2013, many questions in the global markets remain unanswered. Uncertainties over the timing and scale of reductions in US Fed bond purchases have only increased since its chairman, Ben Bernanke, first mentioned the option of "tapering" in congressional testimony in late May 2013. Increased volatility and general reluctance by money managers to deploy funds have led to a substantial decrease in trading volumes. However, markets are beginning to show signs of digesting central bank signals; a few more months of economic data underlining an expected reacceleration of the economy in the second half of 2013 should suffice for markets to resume an upward trend and for volume to return.

We are seeing increased activity in our investment banking business as current mandates move closer to completion and new deal flow is proving to be larger and to have better overall quality. We saw a lull in the financial advisory business in the second quarter and expect that to extend through the third quarter, with a pick up towards the end of the year.

The year started on a high note: January was the best month in our history aided by "Abenomics," the expansionary fiscal and monetary policies of the Japanese government and central bank, which produced a strong and lasting stock market rally and helped bolster our sales and trading revenue. Regional allocation into Japan was sustained into early May, but since then has dropped off substantially. Overall, the second quarter saw a flight to safety into US dollar ("USD") denominated assets and put money managers on the sidelines in a waiting mode until the Fed policy outlook has been clarified. The flight to safety has hurt emerging markets the most as the region saw record redemptions from equity funds. With greater policy visibility by September, we expect strong market recovery.

We expect the approval of our USA broker dealer license in the third quarter, which will allow for an increase in our institutional customer base and new distribution channels for public stocks and private deals. We spoke in our last two management discussions about the US license representing an inflection point in our business and we are happy to have the level of clarity that we possess today. The licensing process has taken more time than we had anticipated, but as at the time of this writing, we have been given positive indications by FINRA and the SEC that the license will be granted in the near future.

Development of the Asset Management vertical continues to be a major focus of our work as we build the foundation and add to the structural side of the platform in addition to financing. We expect the platform to be welcomed by investors looking for Asia and especially China exposure as structural reforms in those areas pick up pace.

We have continued to increase our presence and reach into China over the past six months building our brand and forging new joint ventures. We will go live with a corporate access product in the third quarter that will allow investors to customize meetings and sight visits in China with public and private companies, policy groups, industry experts and national and provincial officials.

Headcount remains flat in the half year over the previous half year, and should continue as such in the near term. We will be looking to increase the headcount in our Beijing office and will need to begin looking at staffing an office in New York in the coming 12 months, provided the licensing proceeds as planned. We consider the second half prospects to be solid as we have turned the corner from building to execution.

OVERALL PERFORMANCE

The Group's consolidated turnover for the first half of 2013 was HK$27.2 million, or 99% above the HK$13.7 million recorded for the same period in 2012. The consolidated net loss for the period was HK$46.1 million as compared to HK$57.1 million for the same period in 2012 due to the increase in turnover.

BROKERAGE BUSINESS

For the six months ended 30 June 2013, the total value of the transactions in relation to securities brokerage by the Group amounted to approximately HK$18.5 billion. The Group's income generated from securities brokerage amounted to approximately HK$23.6 million, representing 87% of the Group's turnover for the six months ended 30 June 2013.

FINANCIAL ADVISORY BUSINESS

For the six months ended 30 June 2013, income generated from consultancy and advisory services amounted to approximately HK$3.2 million, representing 12% of the Group's turnover for the six months ended 30 June 2013.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had cash and bank balances of HK$153.1 million (31 December 2012: HK$149.3 million). The current ratio as at 30 June 2013 measured at 1.5 times, as compared to 1.6 times as at 31 December 2012. The Group had no borrowing at the end of the reporting period. As at 30 June 2013, the Group recorded net assets of HK$202.2 million, as compared to HK$166.2 million reported at the end of 2012.

CAPITAL STRUCTURE

On 6 June 2013, Gainhigh Holdings Limited ("Gainhigh") placed out 27,000,000 existing shares (the "Placing Shares") at the placing price of HK$3.05 per Placing Share to independent investors (the "Placing"). On the same day, Gainhigh and the Company entered into a subscription agreement, pursuant to which, Gainhigh agreed to subscribe for new shares in the Company, in an amount equal to the Placing Shares placed under the Placing and at the subscription price of HK$3.05 per share, same as the placing price. The subscription was completed on 17 June 2013. Details of the transactions are set out in the announcement of the Company dated 6 June 2013.

FOREIGN EXCHANGE RISK

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange amounts in the different currencies. The Group considers that its exposure to USD is insignificant on the ground that the Hong Kong dollar ("HKD") is pegged to the USD.

The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its bank balances in currencies other than the USD, such as the Japanese Yen and the Renminbi. The Group's management monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

During the six months ended 30 June 2013, the Group did not engage in the use of any financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 30 June 2013.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 15 February 2013, the Company and the seller, Dongah Tire and Rubber Co. Ltd., entered into a share purchase agreement pursuant to which the Company agreed to purchase 25% equity interest in EQ Partners Co. Ltd., subject to the terms and conditions set out therein, for a consideration of KRW4,541,872,500, (approximately HK$32.9 million). Details of the acquisition were disclosed in the announcement of the Company dated 18 February 2013.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2013.

CHARGE ON ASSETS

At the end of the reporting period, the Group did not have any charges on assets, other than a security deposit of HK$20,000,000 for a bank overdraft facility.

COMMITMENTS

As at 30 June 2013, rental payments under non-cancellable operating leases on office premises amounted to HK$8,843,000 (31 December 2012: HK$10,617,000).

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2013 and 31 December 2012.

STAFFING AND REMUNERATION

As at 30 June 2013, the Group employed 61 full time employees, of which 58 were located in Hong Kong and three were located in the People's Republic of China. The remuneration of employees includes salaries, commission, sign-on payments and discretionary bonuses. The Group also adopted a share option scheme to provide an incentive to the employees.

The Group employees' remuneration policy and package, including the share options, are maintained at market level and are reviewed annually by the management.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2013, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"), or known to the Company, were as follows:

Long positions in the shares of the Company:

		Number of Shares held	
Name of Director	**Nature of interest**	**Long position**	**Percentage of shareholding**
Mr. Ko Chun Shun, Johnson	Held by controlled corporation	277,624,382	67.47%

Note: Mr. Ko Chun Shun, Johnson ("Mr. Ko"), the Chairman and an executive director of the Company, was interested in 277,624,382 shares through Gainhigh Holdings Limited ("Gainhigh"). 80% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

Save as disclosed above, as at 30 June 2013, none of the directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

During the six month period, no share options were issued and as at 30 June 2013, no share options were outstanding.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 4 June 2012, the Company was informed by Gainhigh that an aggregate of 15% shareholding interest of Gainhigh will be sold to certain key employees of the Group, including Mr. Jason Boyer and Mr. Brett McGonegal, both are executive directors of the Company. As at the date hereof, Mr. Ko Chun Shun, Johnson, the Chairman and executive director of the Company is indirectly interested in 80% of the issued share capital of Gainhigh. Gainhigh is currently interested in 277,624,382 shares of the Company, representing approximately 67.47% of the issued share capital of the Company. Following the sale, Mr. Ko will be interested in 65% of the issued share capital of Gainhigh. Each of Mr. Jason Boyer and Mr. Brett McGonegal will acquire 3.75% of the then issued share capital of Gainhigh respectively. As at the date of this report, the sale of the 15% shareholding of Gainhigh has not yet been effected.

Save as disclosed above, at no time during the six months ended 30 June 2013 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors (including their respective spouses and children under the age of 18) to acquire benefits by the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013 save as disclosed under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

		Number of Shares held	
Name of shareholder	**Nature of interest**	**Long position**	**Percentage of Shareholding**
Mr. Ko Chun Shun, Johnson *(Note 1)*	Held by controlled corporation	277,624,382	67.47%
Kwan Wing Holdings Limited *(Note 1)*	Held by controlled corporation	277,624,382	67.47%
Gainhigh Holdings Limited *(Note 1)*	Beneficial owner	277,624,382	67.47%
Shaw David Elliot *(Note 2)*	Held by controlled corporation	35,000,000	8.51%

Name of shareholder	Nature of interest	Number of Shares held Long position	Percentage of Shareholding
D. E. Shaw Valence Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw Composite Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co., Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co., L.P. *(Note 2)*	Investment manager	35,000,000	8.51%
D. E. Shaw & Co., L.L.C *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co. II, Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co. (Asia Pacific) Limited *(Note 2)*	Investment manager	35,000,000	8.51%

Notes:

1. Mr. Ko Chun Shun, Johnson, the Chairman and an executive director of the Company, was interested in 277,624,382 shares through Gainhigh. 80% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

2. Shaw David Elliot, D. E. Shaw Valence Portfolios, L.L.C., D. E. Shaw Composite Portfolios, L.L.C., D. E. Shaw & Co., Inc, D. E. Shaw & Co., L.P., D. E. Shaw & Co., L.L.C., D. E. Shaw & Co. II, Inc, and D. E. Shaw & Co. (Asia Pacific) Limited were interested in the same parcel of these 35,000,000 shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2013, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2013, other than acting as an agent for clients of the Company and its subsidiaries, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

The Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the Listing Rules, throughout the six months ended 30 June 2013.

All other information on the Corporate Governance Code of the Company has been disclosed in the corporate governance report contained in the 2012 Annual Report of the Company issued in March 2013.

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding director's securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon enquiry by the Company, all the directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the six months ended 30 June 2013.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company, Messrs. Chu Chung Yue, Howard, Liu Zhengui and Ding Kebai. Mr. Chu Chung Yue, Howard, is the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code.

These unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

CHANGES OF DIRECTORS' INFORMATION

The change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Chu Chung Yue, Howard, the independent non-executive director, the chairman of the Audit Committee and a member of the remuneration committee and nomination committee of the Company, has resigned as an executive director of Brockman Mining Limited ("Brockman"), a company listed on the main board of the Hong Kong Stock Exchange, on 1 April 2013.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF REORIENT GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 13 to 32 which comprises the condensed consolidated statement of financial position of REORIENT GROUP LIMITED ("the Company") as of 30 June 2013 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

6 August 2013

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**27,150**	13,674
Other operating income	*5*	**210**	124
Other net gain		**—**	1,138
Staff costs		**(46,601)**	(46,754)
Depreciation		**(1,655)**	(1,157)
Other operating expenses		**(24,868)**	(23,849)
Loss from operations		**(45,764)**	(56,824)
Finance costs		**(48)**	(299)
Share of results of an associate		**(302)**	—
Loss before taxation	*6*	**(46,114)**	(57,123)
Income tax	*7*	**—**	—
Loss for the period		**(46,114)**	(57,123)
Loss for the period attributable to:			
— Equity holders of the Company		**(45,782)**	(56,975)
— Non-controlling interests		**(332)**	(148)
		(46,114)	(57,123)
Loss per share attributable to equity holders of the Company			
Basic and diluted *(HK cents)*	*8*	**(11.85)**	(14.82)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(46,114)**	(57,123)
Other comprehensive income for the period:		
Exchange differences arising on translation of results of foreign operations	**236**	26
Total comprehensive income for the period	**(45,878)**	(57,097)
Total comprehensive income for the period attributable to:		
— Equity holders of the Company	**(45,654)**	(56,962)
— Non-controlling interests	**(224)**	(135)
	(45,878)	(57,097)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	At 30 June 2013 (Unaudited) *HK$'000*	At 31 December 2012 (Audited) *HK$'000*
Non-current assets			
Fixed assets	*11*	**7,717**	6,897
Interest in an associate	*12*	**32,603**	—
Other non-current assets		**1,288**	735
Total non-current assets		**41,608**	7,632
Current assets			
Accounts receivable	*13*	**302,532**	198,514
Other receivables, deposits and prepayments	*14*	**11,589**	14,657
Bank balance-trust and segregated accounts	*15*	**33,049**	41,713
Cash and cash equivalents	*15*	**153,130**	149,271
Total current assets		**500,300**	404,155
Current liabilities			
Accounts payable	*16*	**332,178**	235,671
Accrued expenses and other payables	*17*	**7,495**	9,961
Total current liabilities		**339,673**	245,632
Net current assets		**160,627**	158,523
Net assets		**202,235**	166,155
Equity			
Share capital	*18*	**4,115**	3,845
Reserves		**192,497**	156,463
		196,612	160,308
Non-controlling interests		**5,623**	5,847
Total equity		**202,235**	166,155

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital *HK$'000*	Share premium *HK$'000*	Asset revaluation account *HK$'000*	Exchange reserve *HK$'000*	Accumulated loss *HK$'000*	Sub total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1 January 2012	3,845	412,428	2,650	–	(162,662)	256,261	–	256,261
Changes in equity for the six months ended 30 June 2012:								
Loss for the period	–	–	–	–	(56,975)	(56,975)	(148)	(57,123)
Other comprehensive income for the period	–	–	–	13	–	13	13	26
Capital injection by non-controlling interests in a subsidiary	–	–	–	–	–	–	5,988	5,988
Balance at 30 June 2012 and at 1 July 2012	3,845	412,428	2,650	13	(219,637)	199,299	5,853	205,152
Changes in equity for the six months ended 31 December 2012:								
Loss for the period	–	–	–	–	(39,093)	(39,093)	(91)	(39,184)
Other comprehensive income for the period	–	–	–	102	–	102	85	187
Balance at 31 December 2012 and at 1 January 2013	3,845	412,428	2,650	115	(258,730)	160,308	5,847	166,155
Changes in equity for the six months ended 30 June 2013:								
Subscription of ordinary shares	**270**	**82,080**	**–**	**–**	**–**	**82,350**	**–**	**82,350**
Cost of issuance of subscription shares	**–**	**(392)**	**–**	**–**	**–**	**(392)**	**–**	**(392)**
Loss for the period	**–**	**–**	**–**	**–**	**(45,782)**	**(45,782)**	**(332)**	**(46,114)**
Other comprehensive income for the period	**–**	**–**	**–**	**128**	**–**	**128**	**108**	**236**
Balance at 30 June 2013	**4,115**	**494,116**	**2,650**	**243**	**(304,512)**	**196,612**	**5,623**	**202,235**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Net cash used in operating activities		**(42,916)**	(58,349)
Net cash used in investing activities		**(35,371)**	(54)
Net cash generated from financing activities		**81,910**	5,706
Net increase/(decrease) in cash and cash equivalents		**3,623**	(52,697)
Cash and cash equivalents at 1 January		**149,271**	245,859
Exchange differences		**236**	26
Cash and cash equivalents at 30 June	*15*	**153,130**	193,188

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

REORIENT GROUP LIMITED is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited.

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee and the Company's independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 12. These condensed consolidated interim financial statements have been approved for issuance by the Board on 6 August 2013.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated interim financial statements should be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement

The condensed consolidated interim financial statements are prepared under historical cost convention and are presented in HKD, and all values are stated to the nearest thousand (HK$'000s), unless otherwise stated.

The accounting policies applied in preparing the interim financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2012, as disclosed in the annual report and financial statements for the year ended 31 December 2012.

(c) Use of estimates and judgments

The preparation of condensed consolidated interim financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

— HKFRS 10, *Consolidated financial statements*

— HKFRS 12, *Disclosure of interests in other entities*

— HKFRS 13, *Fair value measurement*

— Annual Improvements to HKFRSs 2009-2011 Cycle

— Amendments to HKFRS 7, *Disclosures — Offsetting financial assets and financial liabilities*

None of these developments have a material impact on the Group's condensed consolidated interim financial statements.

New and revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, *Consolidated financial statements*	1 January 2014
Amendments to HKFRS 12, *Disclosure of interests in other entities*	1 January 2014
Amendments to HKAS 27, *Separate financial statements — Investment entities*	1 January 2014
Amendments to HKAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
IFRIC 21, *Levies*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies

A summary of the significant accounting policies adopted and consistently applied by the Group in the preparation of these condensed consolidated interim financial statements is set out below.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Brokerage commission income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Handling and settlement fee income

Handling and settlement fee income are recognised when the related services are rendered.

(iv) Placing and underwriting commission income

Placing and underwriting commission income are recognised when the related services are rendered.

(v) Consultancy and advisory fee income

Consultancy and advisory fee income are recognised when the related services are rendered.

(b) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with and depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(e) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. TURNOVER

The principal activities of the Group are securities broking, placing and underwriting, and provision of consultancy and advisory services.

Turnover represents the net amount received during the period. An analysis of the Group's turnover for the period is as follow:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Brokerage commission	**23,610**	8,020
Placing and underwriting commission	**297**	—
Consultancy and advisory fee	**3,199**	5,555
Interest income from clients	**44**	99
	27,150	13,674

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Other interest income	**9**	33
Handling and settlement fees	**201**	91
	210	124

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Provision for impairment loss of accounts receivable	**13**	—
Information, data and communication expenses	**5,852**	4,799
Legal and professional fees	**4,952**	8,719
Operating lease charges in respect of properties	**2,908**	2,444
Exchange loss	**602**	1,676

7. INCOME TAX

No provision for Hong Kong profits tax was made for both periods as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams, and no deferred tax liability in respect of the accelerated depreciation allowance has been recognised as the amount is insignificant.

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Group of HK$45,782,000 (2012: HK$56,975,000) and the weighted average number of shares in issue during the six months ended 30 June 2013 of 386,433,754 (2012: 384,494,527).

There were no potential dilutive ordinary shares for the six months ended 30 June 2013 and 2012, therefore basic loss per share equals to diluted loss per share.

9. DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (2012: nil).

10. SEGMENT REPORTING

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has three operating segments:

(i) securities brokerage,

(ii) securities placing and underwriting, and

(iii) consultancy and advisory services.

The accounting policies and the basis of segmentation of the reportable segments are the same as those followed by the Group in the last annual financial statements.

10. SEGMENT REPORTING *(Continued)*

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision maker, at the relevant times, for the purposes of resource allocation and performance assessment.

(a) Segment revenue and results

For the six months ended 30 June 2013

	Securities brokerage *HK$'000*	**Securities placing and underwriting** *HK$'000*	**Consultancy and advisory services** *HK$'000*	**Total** *HK$'000*
Segment revenue	**23,654**	**297**	**3,199**	**27,150**
Segment loss	**(22,395)**	**(1,072)**	**(5,351)**	**(28,818)**
Other income				**210**
Share of results of an associate				**(302)**
Unallocated staff costs				**(10,121)**
Finance costs				**(1)**
Depreciation				**(1,655)**
Legal and professional expenses				**(3,408)**
Other central administrative costs				**(2,019)**
Loss for the period				**(46,114)**

For the six months ended 30 June 2012

	Securities brokerage *HK$'000*	Securities placing and underwriting *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Segment revenue	8,119	–	5,555	13,674
Segment loss	(43,250)	(1,443)	(1,952)	(46,645)
Other income				1,262
Unallocated staff costs				(6,280)
Finance costs				(25)
Depreciation				(388)
Legal and professional expenses				(2,588)
Other central administrative costs				(2,459)
Loss for the period				(57,123)

10. SEGMENT REPORTING *(Continued)*

(b) Segment assets and liabilities

Assets and liabilities of the reportable segments are regularly reviewed as a whole by the directors of the Group, the measure of total assets by operating segment is therefore not presented.

(c) Geographical segment information

The Group's customers operation and administration are mainly located in Hong Kong. The business activities of the Group's associate are mainly located in Korea.

11. FIXED ASSETS

Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired items of fixed assets with a cost of HK$2,475,000 (2012: HK$87,000). No item of fixed assets was disposed of during the six months ended 30 June 2013 and 2012.

12. INTEREST IN AN ASSOCIATE

	At 30 June 2013 *HK$'000*	At 31 December 2012 *HK$'000*
Share of net assets	**32,603**	—

Name of associate	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal Activities
EQ Partners Co. Ltd.	Korea	25%	25%	Business of private equity funds as the executive partners and provision of management advisory services

13. ACCOUNTS RECEIVABLE

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Accounts receivable from			
— Cash clients, net of provisions	*(i)*	**277,987**	34,991
— Margin clients, net of provisions	*(ii)*	**—**	—
— Clearing house, brokers and dealers	*(iii)*	**22,765**	161,831
— Corporate clients		**1,780**	1,692
		302,532	198,514

The ageing analysis of accounts receivable, net of provisions for doubtful debts, at the end of the reporting period is as follows:

	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Current	**299,890**	196,676
Less than 1 month past due	**902**	1,728
1 to 3 months past due	**340**	110
More than 3 months past due	**1,400**	—
Amounts past due	**2,642**	1,838
Total accounts receivable	**302,532**	198,514

(i) Based on past experience, management has made a provision for impairment loss of HK$14,000 for the six months ended 30 June 2013 in respect of accounts receivable from cash clients. No impairment loss was made for the six months ended 30 June 2012.

Included in the balances of impairment loss provision for doubtful debts were individually impaired accounts receivable amounting to HK$458,000 (2012: HK$444,000) that relate to individually impaired accounts receivable arising from the business of dealing in securities.

(ii) The Group ceased providing margin financing service since 2004. As at 30 June 2013 and 31 December 2012, the amount of margin loans due from margin clients amounted to HK$26,124,000 has been brought forward from 2004. This amount has been impaired and a provision for impairment losses of HK$26,124,000 has been made in prior years and as at 30 June 2013.

(iii) Accounts receivable from clearing house, brokers and dealers are current. These represent pending trades arising from the business of dealing in securities, which are normally due within a few days after the trade dates.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Rental and utility deposits	**1,568**	1,565
Prepayments and other deposits	**4,867**	5,843
Other receivables	**5,154**	7,249
	11,589	14,657

The fair values of other receivables, deposits and prepayments approximate their carrying amounts.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise:

	Note	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Bank balance-trust and segregated	*(i)*	**33,049**	41,713
Deposit with bank	*(ii)*	**20,000**	20,000
Cash at bank and in hand		**133,130**	129,271
		153,130	149,271
		186,179	190,984

(i) The Group maintains segregated accounts with authorised institutions to hold clients' money arising from its normal course of business of the regulated activities. The cash held on behalf of clients is restricted and governed by the Securities and Futures (Client money) Rules under the Securities and Futures Ordinance.

(ii) The Group has deposited HK$20,000,000 with the bank as a security deposit for the bank overdraft facility (refer to Note 21). As at 30 June 2013, the Group has no bank overdraft outstanding in respect of this facility.

16. ACCOUNTS PAYABLE

	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Accounts payable		
— Cash clients	**92,127**	215,193
— Clearing house, brokers and dealers	**240,051**	20,478
	332,178	235,671

Included in accounts payable are amounts payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities, which amount to HK$33,049,000 (2012: HK$41,713,000).

All of the accounts payable are due within one month or on demand.

17. ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2013 HK$'000	At 31 December 2012 HK$'000
Accrued staff costs	**1,821**	2,763
Stamp duty, trading levy and trading fee payables	**302**	610
Other payables	**4,892**	6,084
Amount due to directors	**480**	504
	7,495	9,961

All accrued expenses and other payables are expected to be settled within one year.

18. SHARE CAPITAL

	At 30 June 2013		At 31 December 2012	
	Number of shares	***Nominal value HK$'000***	*Number of shares*	*Nominal value HK$'000*
Ordinary shares of HK$0.01 each				
Authorised				
Balance brought forward and carried forward	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid				
Balance brought forward	**384,494,527**	**3,845**	384,494,527	3,845
Subscription of ordinary shares	**27,000,000**	**270**	–	–
Balance carried forward	**411,494,527**	**4,115**	384,494,527	3,845

On 6 June 2013, arrangements were made for a private placement to independent investors of 27,000,000 shares of HK$0.01 each in the Company held by Gainhigh, at a price of HK$3.05 per share. Pursuant to a subscription agreement of the same date, Gainhigh subscribed for 27,000,000 new shares of HK$0.01 each in the Company at a price of HK$3.05 per share. The subscription was completed on 17 June 2013, and 27,000,000 shares were issued to Gainhigh. The proceeds from the subscription were used to further the Group's expansion plans, broadened investor base, and further financial resources to support the development of its core business including securities broking, corporate finance, and direct investments.

19. SHARE OPTION

The Company has a share option scheme which was adopted on 21 July 2011 whereby the directors of the Company are authorised, at their discretion, to invite eligible participant (employee, director, consultant of each member of the Group) to take up options to subscribe for shares of the Company.

As at 30 June 2013 and 31 December 2012, there were no share options granted or outstanding under the share option scheme of the Company.

20. COMMITMENTS

Operating lease commitments

The total future minimum lease payments under non-cancellable operating lease on office premises properties are payable as follows:

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Within one year	**5,117**	5,033
After one year but within five years	**3,726**	5,584
	8,843	10,617

The Group leases a number of properties under operating leases. The leases run for an initial period of one to four years. None of the leases includes contingent rentals.

21. PLEDGE OF ASSETS

The Group has been granted a bank overdraft facility of HK$40,000,000 and in this connection, the Group is required to place a security deposit of HK$20,000,000 with the bank. As at the end of the reporting period, the Group has no bank overdraft outstanding.

22. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2013 and 31 December 2012.

23. MATERIAL RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in these condensed consolidated financial statements, the Group did not have any material related party transactions in the six months ended 30 June 2013 and 30 June 2012.