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REORIENT GROUP LIMITED

STOCK CODE 376

INTERIM REPORT 2014

CONTENTS

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

Non-Executive Directors

Mr. Dorian M. Barak

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

STOCK CODE

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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 2014, together with the comparative figures for the corresponding period in 2013.

BUSINESS REVIEW AND PROSPECTS

Global markets have markedly underperformed in the first half of 2014 compared to the first half of 2013. Slower than expected United States economic growth, serious geopolitical dislocations (Ukraine, Middle East), and growing concerns over the global impact of US monetary policy — the expected end of quantitative easing by October – have restrained performance across asset classes. However, and in line with our expectations, one of the largest concerns persistently voiced by global fund managers, a China hard landing, has not materialized. Instead, the ambitious reform program of the new Chinese leadership is getting traction and there are clear signs of Chinese growth acceleration in the second half of the year. Similarly, Japan's monetary, fiscal, and regulatory initiatives are beginning to bear fruit. We remain cautious about the process of economic recovery in the US and the impact of monetary tightening. But we are encouraged by the fact that Chinese and Japanese markets are starting to reward improved economic performance. A stable and improving Asia and full-year US growth in the two percent range should provide the background for satisfactory overall global market performance even though last year's outsize expansion levels will not be reached.

The first half of 2014 was a turning point for the Group. We continue to grow our pipeline and deal flow, resulting in increased revenue generation for the Corporate Finance division. Our Institutional Equities division continues to be negatively impacted by lower trading volumes in global equity markets. However, we believe that the second half of the year will see a firming of markets and an increase in volumes.

The Investment Banking division has also increased deal flow and grown the deal pipeline in the first half of the year. As our banking platform matures, we have improved the quality, geographic and industry dispersion of our pipeline. We anticipate an increase in activity and deal closings in the second half of the year. While our work load is growing, we remain focused on efficiently allocating resources and human capital. Our cross selling model adds flexibility for the client by presenting a bespoke solution in capital raising and M&A. Breaking down the typical silo approach of investment banks allows Reorient to construct unique funding solutions and investment opportunities for clients. We will work to strengthen the platform in the second half by selectively adding headcount in both the front office and the execution team.

We continue to expand into new businesses, as well as building our balance sheet and diversifying revenue opportunities. We received our USA FINRA membership and opened an office in New York City. This allows our Institutional Equities client coverage and research distribution to expand. We have also built a USA based investment platform, focused on managing portfolios of non-operated shale oil and gas assets. ReOil is based in Denver, Colorado and boasts an experienced management team of industry experts. The platform will focus on Asian investors looking for exposure to the North American shale oil and gas boom. Our Hong Kong merchant banking and principal investment group has been actively looking at investments for the Group. Our option and position in Frontier Services Group Limited ("Frontier Services") (formerly known as DVN (Holdings) Limited) (500.HK) had a marked to market loss in the first half. We have also committed to an investment in Climax International Company Limited ("Climax International") (439.HK) and are excited about the prospects of this investment.

The asset management division continues to evaluate opportunities to bring unique products to high net worth individuals and retail customers. We anticipate increased activity over the next year. Our investment in EQ Partners in Korea continues to bear fruit from a deal flow and distribution perspective. The fund has increased assets under management ("AUM") significantly and is poised to move into the top three in Korea in terms of AUM.

We are optimistic about the second half of 2014 and see good momentum within the Group. We stay focused on keeping costs down and committed to increasing shareholder value. An inflection point has been reached in the Groups' overall business and we expect to leverage the performance to expand the reach and strengthen the Reorient brand globally.

OVERALL PERFORMANCE

The Group's consolidated revenue for the first half of 2014 was HK$35.2 million, or 30% above the HK$27.2 million recorded for the same period in 2013. The consolidated net loss for the period was HK$43.2 million, representing a decrease of 6% over the prior period.

BROKERAGE BUSINESS

For the six months ended 30 June 2014, the total value of the transactions in relation to securities brokerage by the Group amounted to approximately HK$7.8 billion. The Group's income generated from securities brokerage amounted to approximately HK$7.4 million, representing 21% of the Group's revenue for the six months ended 30 June 2014.

FINANCIAL ADVISORY BUSINESS

For the six months ended 30 June 2014, income generated from consultancy and advisory services amounted to approximately HK$25.7 million, representing 73% of the Group's revenue for the six months ended 30 June 2014.

PLACING AND UNDERWRITING BUSINESS

For the six months ended 30 June 2014, the total value of the transactions in relation to placing and underwriting by the Group amounted to approximately HK$423.0 million. The Group's income generated from placing and underwriting amounted to approximately HK$2.0 million, representing 6% of the Group's revenue for the six months ended 30 June 2014.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had cash and bank balances of HK$65.6 million (31 December 2013: HK$111.1 million). The current ratio as at 30 June 2014 measured at 1.8 times, as compared to 2.1 times as at 31 December 2013. The Group had bank overdrafts of HK$5.0 million at the end of the reporting period (31 December 2013: nil). The gearing ratio as at 30 June 2014, which is total bank borrowings divided by the total shareholders' equity, was 3.2% (31 December 2013: nil). As at 30 June 2014, the Group recorded net assets of HK$160.2 million, as compared to HK$161.1 million reported at the end of 2013.

CAPITAL STRUCTURE

On 14 January 2014, the Company allotted and issued 17,805,178 new shares of the Company to Frontier Services and in return Frontier Services allotted and issued 56,976,571 new shares of Frontier Services to the Company pursuant to the share swap agreement dated 23 November 2013. Details of the share swap agreement have been disclosed in the Company's announcement dated 23 November 2013.

On 26 June 2014, the Group raised funds by way of a top-up placing, arrangements were made for a private placement to independent investors of 17,021,277 shares in the Company held by Gainhigh Holdings Limited ("Gainhigh"), at a price of HK$2.35 per share. Pursuant to a subscription agreement of the same date, Gainhigh subscribed for 17,021,277 new shares in the Company at a price of HK$2.35 per share, subject to the completion of the placing and the approval of the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The net proceeds raised will be approximately HK$39.9 million and will be applied for general funding purpose. The placement and subscription agreement was completed on 9 July 2014 when the Company issued 17,021,277 shares to Gainhigh. Details of the arrangements have been disclosed in the Company's announcement dated 26 June 2014 and set out in Note 26.

In the prior year, on 6 June 2013, the Group raised funds by way of a top-up placing, where Gainhigh made a private placement of 27,000,000 shares to independent investors and subscribed from the Company the same number of shares at the same placing price, the net proceeds raised from the subscription was approximately HK$82.0 million, of which approximately HK$2.0 million has been used for setting up the US securities broking company, approximately HK$3.0 million was invested in the formation of an associated company in the US whose principal activity is in the provision of technical and specialist services to clients interested in the oil and gas assets and the remaining proceeds has been deployed to support the Group's general operational funding of its core businesses of securities broking, corporate finance and direct investments.

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 US dollar ("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 interest in associates and bank balances in currencies other than the USD, such as the Korean Won, Japanese Yen and Renminbi. The management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

During the six months ended 30 June 2014, 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 2014.

MATERIAL ACQUSITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group did not have material acquisitions and disposals of subsidiaries and associates during the six months ended 30 June 2014.

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 2014, rental payments under non-cancellable operating leases on office premises amounted to HK$10,350,000 (31 December 2013: HK$6,095,000).

On 29 May 2014, Reorient Global Limited ("Reorient Global"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Climax International, pursuant to which Climax International has agreed to allot and issue an aggregate of 1,666,666,668 new ordinary shares and 2,683,333,332 new convertible preferred shares at an issue price of HK$0.08 per subscription share, and Reorient Global has agreed to subscribe for 66,666,666 new ordinary shares and 107,333,334 new convertible preferred shares for a cash consideration of HK$13,920,000, subject to the terms and conditions of the subscription agreement. The preferred shares shall be non-voting, non-redeemable and convertible to ordinary shares once they are fully paid. As of the reporting period, the above subscription agreement has not been completed.

On 21 February 2014, Reorient Investments Limited ("Reorient Investments"), a wholly-owned subsidiary of the Company, Pelagic Advisors LLC and ReOil, LLC entered into a unit purchase agreement, pursuant to which Reorient Investments has committed to purchase up to 600 additional Series B Units from ReOil, LLC at a purchase price per unit of USD1,000 which amount shall be payable upon receipt of written notice from ReOil, LLC and in six equal instalments. As of the reporting period, Reorient Investments has purchased 100 additional Series B Units from ReOil, LLC for a cash consideration of USD100,000.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2014 and 31 December 2013.

STAFFING AND REMUNERATION

As at 30 June 2014, the Group employed 66 full time employees, of which 61 were located in Hong Kong and five 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 2014, 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 Issuers (the "Model Code") under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, or known to the Company, were as follows:

Long positions in the shares of the Company:

Name of Director	Nature of interest	Number of Shares held Long position	Percentage of shareholding
Mr. Ko Chun Shun, Johnson	Held by controlled corporation	239,591,640	55.81%
Mr. Jason Jon Boyer	Beneficial owner	10,410,914	2.43%

Note: Mr. Ko Chun Shun, Johnson ("Mr. Ko"), the Chairman and an executive director of the Company, was interested in 239,591,640 shares through Gainhigh. 79.5% of the issued share capital of Gainhigh was held by Insula Holdings Limited, a company wholly-owned by Mr. Ko.

Save as disclosed above, as at 30 June 2014, 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 months period, no share options were issued and as at 30 June 2014, 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. Brett McGonegal, an executive director of the Company. Mr. Brett McGonegal will acquire 3.75% of the then issued share capital of Gainhigh. As at the date hereof, Mr. Ko Chun Shun, Johnson, the Chairman and executive director of the Company is indirectly interested in 79.5% of the issued share capital of Gainhigh, and Gainhigh is currently interested in 239,591,640 shares of the Company, representing approximately 53.68% of the issued share capital of the Company. As at the date of this report, the sale of interest in Gainhigh to Mr. Brett McGonegal has not yet effected.

Save as disclosed above, at no time during the six months ended 30 June 2014 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 2014, 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	239,591,640	55.81%
Insula Holdings Limited *(Note 1)*	Held by controlled corporation	239,591,640	55.81%
Gainhigh Holdings Limited *(Note 1)*	Beneficial owner	239,591,640	55.81%
Shaw David Elliot *(Note 2)*	Held by controlled corporation	35,000,000	8.15%

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	8.15%
D. E. Shaw Composite Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	8.15%
D. E. Shaw & Co., Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.15%
D. E. Shaw & Co., L.P. *(Note 2)*	Investment manager	35,000,000	8.15%
D. E. Shaw & Co., L.L.C *(Note 2)*	Held by controlled corporation	35,000,000	8.15%
D. E. Shaw & Co. II, Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.15%
D. E. Shaw & Co. (Asia Pacific) Limited *(Note 2)*	Investment manager	35,000,000	8.15%

Notes:

1. Mr. Ko Chun Shun, Johnson, the Chairman and an executive director of the Company, was interested in 239,591,640 shares through Gainhigh. 79.5% of the issued share capital of Gainhigh was held by Insula 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 2014, 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 2014, 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

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 2014.

All other information on the Corporate Governance Code of the Company has been disclosed in the corporate governance report contained in the 2013 Annual Report of the Company issued to the shareholders in March 2014.

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. 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 2014.

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 2014 have been reviewed by the Audit Committee.

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 36 which comprises the condensed consolidated statement of financial position of REORIENT GROUP LIMITED (the "Company") as of 30 June 2014 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 2014 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

4 August 2014

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

	Note	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Revenue	4	**35,206**	27,150
Other operating income	5	**464**	210
Net loss on financial assets at fair value through profit or loss		**(13,902)**	—
Staff costs		**(39,277)**	(46,601)
Depreciation		**(1,683)**	(1,655)
Other operating expenses		**(23,189)**	(24,868)
Loss from operations		**(42,381)**	(45,764)
Finance costs		**(36)**	(48)
Share of results of associates		**(827)**	(302)
Loss before taxation	6	**(43,244)**	(46,114)
Income tax	7	**—**	—
Loss for the period		**(43,244)**	(46,114)
Loss for the period attributable to:			
— Equity shareholders of the Company		**(43,048)**	(45,782)
— Non-controlling interests		**(196)**	(332)
		(43,244)	(46,114)
Loss per share attributable to equity shareholders of the Company			
Basic and diluted *(HK cents)*	8	**(10.06)**	(11.85)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(43,244)**	(46,114)
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of results of foreign operations	**(323)**	236
Total comprehensive income for the period	**(43,567)**	(45,878)
Total comprehensive income for the period attributable to:		
— Equity shareholders of the Company	**(43,217)**	(45,654)
— Non-controlling interests	**(350)**	(224)
	(43,567)	(45,878)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	Note	At 30 June 2014 (Unaudited) HK$'000	At 31 December 2013 (Audited) HK$'000
Non-current assets			
Fixed assets	11	**5,824**	6,247
Intangible assets		**550**	550
Interest in associates	12	**34,582**	33,076
Other non-current assets		**847**	805
Total non-current assets		**41,803**	40,678
Current assets			
Financial assets at fair value through profit or loss	13	**42,459**	13,629
Accounts receivable	14	**71,070**	69,727
Other receivables, deposits and prepayments	15	**13,063**	12,451
Bank balance-trust and segregated accounts	16	**67,200**	22,753
Cash and cash equivalents	16	**65,592**	111,086
Total current assets		**259,384**	229,646
Current liabilities			
Accounts payable	17	**115,143**	82,955
Accrued expenses and other payables	18	**20,798**	26,300
Bank overdrafts		**5,012**	—
Total current liabilities		**140,953**	109,255
Net current assets		**118,431**	120,391
Net assets		**160,234**	161,069
Equity			
Share capital and other statutory capital reserves	19	**540,963**	498,231
Other reserves		**(386,401)**	(343,184)
		154,562	155,047
Non-controlling interests		**5,672**	6,022
Total equity		**160,234**	161,069

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance 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 and at 1 July 2013	4,115	494,116	2,650	243	(304,512)	196,612	5,623	202,235
Changes in equity for the six months ended 31 December 2013:								
(Loss)/profit for the period	–	–	–	–	(41,603)	(41,603)	357	(41,246)
Other comprehensive income for the period	–	–	–	38	–	38	42	80
Balance at 31 December 2013 and at 1 January 2014	4,115	494,116	2,650	281	(346,115)	155,047	6,022	161,069
Changes in equity for the six months ended 30 June 2014:								
Shares issued under share swap agreement	**178**	**42,554**	**–**	**–**	**–**	**42,732**	**–**	**42,732**
Transition to no-par value regime on 3 March 2014	**536,670**	**(536,670)**	**–**	**–**	**–**	**–**	**–**	**–**
Loss for the period	**–**	**–**	**–**	**–**	**(43,048)**	**(43,048)**	**(196)**	**(43,244)**
Other comprehensive income for the period	**–**	**–**	**–**	**(169)**	**–**	**(169)**	**(154)**	**(323)**
Balance at 30 June 2014	**540,963**	**–**	**2,650**	**112**	**(389,163)**	**154,562**	**5,672**	**160,234**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014

	Note	Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Net cash used in operating activities		**(46,713)**	(42,916)
Investing activities			
Investment in an associate		**(2,333)**	(32,905)
Other cash flows from investing activities		**(1,101)**	(2,466)
Net cash used in investing activities		**(3,434)**	(35,371)
Financing activities			
Net proceeds from issuance of subscription shares		**–**	81,958
Other cash flows from financing activities		**(36)**	(48)
Net cash (used in)/generated from financing activities		**(36)**	81,910
Net (decrease)/increase in cash and cash equivalents		**(50,183)**	3,623
Cash and cash equivalents at 1 January		**111,086**	149,271
Effect of foreign exchange rate changes		**(323)**	236
Cash and cash equivalents at 30 June	*16*	**60,580**	153,130

Please refer to Note 19(i) for the non-cash transaction.

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 for the period ended 30 June 2014 comprise the Company and its subsidiaries and the Group's interest in associates.

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 Hong Kong Institute of Certified Public Accountants ("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 4 August 2014.

2. BASIS OF PREPARATION

(a) Statement of compliance

The condensed consolidated interim financial statements for the six months ended 30 June 2014 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 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(b) Basis of measurement

The measurement basis used in the preparation of the condensed consolidated interim financial statements is the historical cost basis except that financial assets at fair value through profit or loss are stated at their fair value.

The condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are the same as those applied in preparing the consolidated financial statements for the year ended 31 December 2013, as disclosed in the annual report and financial statements for the year ended 31 December 2013.

(c) Use of estimates and judgements

The preparation of condensed consolidated interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. 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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2. BASIS OF PREPARATION *(Continued)*

(c) Use of estimates and judgements *(Continued)*

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 the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group:

— Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

— Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

— Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

— Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

— HK(IFRIC) 21, *Levies*

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 HKAS 19, *Employee benefits*	1 July 2014
Annual Improvements to HKFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011 – 2013 Cycle	1 July 2014
Amendments to HKFRS 11, *Joint arrangements*	1 January 2016
Amendments to HKAS 16, *Property, plant and equipment*	1 January 2016
Amendments to HKAS 38, *Intangible assets*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017

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, placing and underwriting commission income and consultancy and advisory fee income

Handling and settlement fee income, placing and underwriting commission income and 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.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(b) Translation of foreign currencies *(Continued)*

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 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.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Summary of significant accounting policies *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

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 joint venture.

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

(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.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(d) Associates *(Continued)*

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).

(e) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are measured initially at fair value, which normally will be equal to the transaction price. Transaction costs are expensed immediately.

The Group recognises financial assets at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument, using trade date accounting.

Financial assets at fair value through profit or loss comprise financial assets held for trading and those designated as at fair value through profit or loss upon initial recognition, but exclude those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Financial assets at fair value through profit or loss are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

The fair value of financial assets at fair value through profit or loss is based on their quoted market prices at the end of reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions. The inputs of the valuation techniques are based on market data.

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in the income statement on derecognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Summary of significant accounting policies *(Continued)*

(f) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated 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. REVENUE

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

Revenue represents the gross amount recognised during the period. An analysis of the Group's revenue for the period is as follow:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Brokerage commission	**7,360**	23,610
Placing and underwriting commission	**1,985**	297
Consultancy and advisory fees	**25,677**	3,199
Interest income from clients	**184**	44
	35,206	27,150

5. OTHER OPERATING INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Other interest income	**159**	9
Handling and settlement fees	**305**	201
	464	210

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Provision for impairment loss of accounts receivable	**210**	13
Information, data and communication expenses	**7,012**	5,852
Legal and professional fees	**2,634**	4,952
Operating lease charges in respect of properties	**2,827**	2,908
Exchange loss	**104**	602

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$43,048,000 (2013: HK$45,782,000) and the weighted average number of shares in issue during the six months ended 30 June 2014 of 427,922,509 (2013: 386,433,754).

There were no potential dilutive ordinary shares for the six months ended 30 June 2014 and 2013, 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 2014 (2013: 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.

10. SEGMENT REPORTING *(Continued)*

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.

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 2014

	Securities brokerage *HK$'000*	Securities placing and underwriting *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Revenue from external parties	**7,360**	**1,985**	**25,677**	**35,022**
Interest income from external clients	**184**	**–**	**–**	**184**
Allocated other income	**305**	**–**	**–**	**305**
Allocated operating costs	**(29,428)**	**(4,185)**	**(17,464)**	**(51,077)**
Allocated finance costs	**(7)**	**(1)**	**–**	**(8)**
Segment (loss)/profit	**(21,586)**	**(2,201)**	**8,213**	**(15,574)**
Unallocated other income				**159**
Net loss on financial assets at fair value through profit or loss				**(13,902)**
Share of results of associates				**(827)**
Unallocated finance costs				**(28)**
Depreciation				**(1,683)**
Legal and professional expenses				**(1,879)**
Other central administrative costs				**(9,510)**
Loss for the period				**(43,244)**

10. SEGMENT REPORTING *(Continued)*

(a) Segment revenue and results *(Continued)*

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*
Revenue from external parties	23,610	297	3,199	27,106
Interest income from external clients	44	—	—	44
Allocated operating costs	(46,003)	(1,368)	(8,550)	(55,921)
Allocated finance costs	(46)	(1)	—	(47)
Segment loss	(22,395)	(1,072)	(5,351)	(28,818)
Other income				210
Share of results of an associate				(302)
Unallocated finance costs				(1)
Depreciation				(1,655)
Legal and professional expenses				(3,408)
Other central administrative costs				(12,140)
Loss for the period				(46,114)

(b) Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the executive directors of the Company as a whole, 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 associates are mainly located in the Republic of Korea and the United States.

11. FIXED ASSETS

Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired items of fixed assets with a cost of HK$1,260,000 (2013: HK$2,475,000). No item of fixed assets was disposed of during the six months ended 30 June 2014 and 2013.

12. INTEREST IN ASSOCIATES

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Share of net assets	**26,028**	26,272
Goodwill	**8,554**	6,804
	34,582	33,076
Less: impairment loss	**—**	—
	34,582	33,076

Name of company	Place of incorporation	Issued and fully paid-up capital	Proportion of ownership interest: Group's Effective interest	Proportion of ownership interest: Held by a subsidiary	Principal activities
EQ Partners Co. Ltd.	The Republic of Korea	KRW1,485,000,000	25%	25%	Business of private equity funds as the executive partners and provision of management advisory services
ReOil, LLC	USA	US$300,000	25%	25%	Provide specialist technical and management services to clients interested in oil and natural gas assets

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Investment designated as at fair value through profit or loss		
— Unlisted derivatives	**4,285**	13,629
Trading securities		
— Listed equity investment in Hong Kong	**38,174**	—
	42,459	13,629

14. ACCOUNTS RECEIVABLE

	Note	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Accounts receivable from			
— Cash clients, net of provisions	*(i)*	**44,127**	13,612
— Margin clients, net of provisions	*(ii)*	**—**	—
— Clearing house, brokers and dealers	*(iii)*	**8,450**	54,734
— Corporate clients, net of provisions	*(iv)*	**18,493**	1,381
		71,070	69,727

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 2014 HK$'000	At 31 December 2013 HK$'000
Current	**52,543**	65,905
Less than 1 month past due	**17,517**	1,974
1 to 3 months past due	**253**	809
More than 3 months past due	**757**	1,039
Amounts past due	**18,527**	3,822
Total accounts receivable	**71,070**	69,727

(i) Based on past experience, management has made a provision for impairment loss of HK$45,000 for the six months ended 30 June 2014 (2013: HK$14,000) in respect of accounts receivable from cash clients.

Included in the balances of impairment loss provision for doubtful debts were individually impaired accounts receivable amounting to HK$214,000 (2013: HK$484,000) 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 2014 and 31 December 2013, the amount of margin loans due from margin clients amounted to HK$26,122,000 has been brought forward from 2004. This amount has been impaired and a provision for impairment losses of HK$26,122,000 has been made in prior years and as at 30 June 2014.

14. ACCOUNTS RECEIVABLE *(Continued)*

(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.

(iv) Accounts receivable from corporate clients represent accounts receivable arising from provision of corporate finance, consultancy and advisory services. A provision for impairment loss of HK$165,000 has been made for the six months ended 30 June 2014 (2013: nil).

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Rental and utility deposits	**1,479**	1,475
Prepayments and other deposits	**4,231**	5,301
Other receivables	**7,353**	5,675
	13,063	12,451

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

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalent comprise:

		At 30 June 2014	At 31 December 2013
	Note	***HK$'000***	*HK$'000*
Bank balance-trust and segregated	*(i)*	**67,200**	22,753
Deposit with bank	*(ii)*	**20,000**	20,000
Cash at bank and in hand		**45,592**	91,086
Cash and cash equivalents in the condensed consolidated statement of financial position		**65,592**	111,086
Bank overdrafts		**(5,012)**	—
Cash and cash equivalents in the condensed consolidated cash flow statement		**60,580**	111,086
		127,780	133,839

16. CASH AND CASH EQUIVALENTS *(Continued)*

(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 23). As at 30 June 2014, the Group has HK$5,012,000 bank overdraft outstanding in respect of this facility.

17. ACCOUNTS PAYABLE

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Accounts payable		
— Cash clients	**105,416**	82,946
— Clearing house, brokers and dealers	**9,727**	9
	115,143	82,955

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$67,200,000 (2013: HK$22,753,000).

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

18. ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Accrued staff costs	**16,642**	21,365
Stamp duty, trading levy and trading fee payables	**200**	295
Other payables	**3,366**	4,160
Amount due to directors	**590**	480
	20,798	26,300

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

19. SHARE CAPITAL

As at 31 December 2013, 2,000,000,000 ordinary shares, with par value of HK$0.01 each, were authorised for issue. Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transition provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company's ordinary shares are set out below:

	At 30 June 2014		At 31 December 2013	
	Number of shares	***HK$'000***	Number of shares	*HK$'000*
Issued and fully paid				
Balance brought forward	**411,494,527**	**4,115**	384,494,527	3,845
Subscription of ordinary shares	**–**	**–**	27,000,000	270
Shares issued under share swap agreement	**17,805,178**	**178**	–	–
Transition to no-par value regime on 3 March 2014	**–**	**536,670**	–	–
Balance carried forward	**429,299,705**	**540,963**	411,494,527	4,115

(i) Issue of shares under share swap agreement

On 14 January 2014, the Company allotted and issued 17,805,178 new shares of the Company to Frontier Services and in return Frontier Services allotted and issued 56,976,571 new shares of Frontier Services to the Company pursuant to the share swap agreement dated 23 November 2013. Details of the share swap agreement have been disclosed in the Company's announcement dated 23 November 2013. It is a non-cash transaction.

(ii) Issue of subscription shares

On 26 June 2014, arrangements were made for a private placement to independent investors of 17,021,277 shares in the Company held by Gainhigh, at a price of HK$2.35 per share. Pursuant to a subscription agreement of the same date, Gainhigh subscribed for 17,021,277 new shares in the Company at a price of HK$2.35 per share, subject to the completion of the placing and the approval of the Listing Committee of the Stock Exchange. The net proceeds will be applied for general funding purpose. As of the reporting date, the placement and subscription agreement has not been completed until 9 July 2014 when the Company issued 17,021,277 shares to Gainhigh. Details of the arrangements have been disclosed in the Company's announcement dated 26 June 2014 and set out in Note 26.

19. SHARE CAPITAL *(Continued)*

(iii) Share premium and capital redemption reserves

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by section 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provision set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

20. 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 2014 and 31 December 2013, there was no share option granted under the share option scheme of the Company.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

(i) Fair value hierarchy *(Continued)*

The table below analyses financial instrument carried at fair value, by valuation method:

	Fair value measurements as at 30 June 2014 categorised into	
	Level 1	**Level 2**
	HK$'000	***HK$'000***
Recurring fair value measurement		
Financial assets:		
Trading securities:		
— Listed	**38,174**	**—**
Derivative financial instruments:		
— Unlisted share option	**—**	**4,285**
	38,174	**4,285**

	Fair value measurements as at 31 December 2013 categorised into	
	Level 1	Level 2
	HK$'000	*HK$'000*
Recurring fair value measurement		
Financial assets:		
Trading securities:		
— Listed	—	—
Derivative financial instruments:		
— Unlisted share option	—	13,629
	—	13,629

During the six months ended 30 June 2014, there were no transfers between Level 1 and Level 2 (2013: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The Group determines the fair value of share option by applying an option valuation model technique such as the Black-Scholes Option-Pricing model. Inputs are based on market related data at the balance sheet date.

22. COMMITMENTS

(a) 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 2014 HK$'000	At 31 December 2013 HK$'000
Within one year	**4,799**	5,077
After one year but within five years	**5,551**	1,018
	10,350	6,095

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

(b) Capital commitments

(i) On 29 May 2014, Reorient Global, a wholly owned subsidiary of the Company, entered into a subscription agreement with Climax International, pursuant to which Climax International has agreed to allot and issue an aggregate of 1,666,666,668 new ordinary shares and 2,683,333,332 new convertible preferred shares at an issue price of HK$0.08 per subscription share, and Reorient Global has agreed to subscribe for 66,666,666 new ordinary shares and 107,333,334 new convertible preferred shares for a cash consideration of HK$13,920,000, subject to the terms and conditions of the subscription agreement. The preferred shares shall be non-voting, non-redeemable and convertible to ordinary shares once they are fully paid.

As of the reporting period, the above subscription agreement has not been completed.

(ii) On 21 February 2014, Reorient Investments, a wholly-owned subsidiary of the Company, Pelagic Advisors LLC and ReOil, LLC entered into a unit purchase agreement, pursuant to which Reorient Investments has committed to purchase up to 600 additional Series B Units from ReOil, LLC at a purchase price per unit of USD1,000 which amount shall be payable upon receipt of written notice from ReOil, LLC and in six equal instalments.

As of the reporting period, Reorient Investments has purchased 100 additional Series B Units from ReOil, LLC for a cash consideration of USD100,000.

23. 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 HK$5,012,000 bank overdraft outstanding.

24. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2014 and 31 December 2013.

25. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following material related party transactions.

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Advisory fee income	**2,797**	—

During the reporting period, the Group provided advisory services to (i) China WindPower Group Limited and Frontier Services where our chairman Mr. Ko is a substantial shareholder in these two companies; (ii) China Jiuhao Health Industry Corporation Limited where one of our independent non-executive directors, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director of this company; and (iii) Brockman Mining Limited where one of our independent non-executive directors, Mr. Liu Zhengui, is a non-executive director of this company.

26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Gainhigh placed 17,021,277 existing shares of the Company at a price of HK$2.35 per share pursuant to the placing agreement dated 26 June 2014, and subscribed for 17,021,277 new shares in the Company, at a price of HK$2.35 per share pursuant to the subscription agreement dated 26 June 2014. The subscription was completed on 9 July 2014 and 17,021,277 shares were issued to Gainhigh. After deducting the expenses in connection with the private placement amounting to HK$99,000, the net proceeds from placement of ordinary shares is HK$39,901,000. Details of the agreements have been disclosed in the Company's announcement dated 26 June 2014. No adjustments have been made to these condensed consolidated financial statements as a result of the subscription agreement.