時富金融
CFSG

CASH Financial Services Group Limited

(Stock Code: 510)

Interim Results 2013

Consolidated Statement of Comprehensive Income

The unaudited consolidated results of CASH Financial Services Group Limited ("Company" or "CFSG") and its subsidiaries ("Group") for the six months ended 30 June 2013 together with the comparative figures for the last corresponding period are as follows:

		Unaudited Six months ended 30 June	
		2013	2012
	Notes	HK$'000	HK$'000 (restated)
Continuing operations			
Revenue	(3)	105,504	96,140
Other income		3,859	997
Salaries, commission and related benefits		(85,067)	(82,272)
Depreciation		(12,852)	(16,000)
Finance costs		(3,966)	(2,602)
Other operating and administrative expenses		(71,890)	(75,072)
Net gain on investments held for trading		40,176	45,399
Share of results of an associate		(1,700)	8,254
Loss before taxation		(25,936)	(25,156)
Income tax expense	(5)	(383)	(900)
Loss for the period from continuing operations		(26,319)	(26,056)
Discontinued operation	(6)		
Profit (loss) for the period from discontinued operation		3,270	(2,587)
Loss for the period		(23,049)	(28,643)

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000 (restated)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	2,100	396
Total comprehensive income for the period (net of tax)	2,100	396
Total comprehensive expense for the period	(20,949)	(28,247)
(Loss) Profit for the period attributable to:		
Owners of the Company		
— from continuing operations	(25,724)	(28,945)
— from discontinued operation	3,270	(2,587)
	(22,454)	(31,532)
Non-controlling interests		
— from continuing operations	(595)	2,889
	(595)	2,889
	(23,049)	(28,643)
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(21,214)	(31,136)
Non-controlling interests	265	2,889
	(20,949)	(28,247)

	Note	Unaudited Six months ended 30 June 2013 HK$'000	 2012 HK$'000 (restated)
(Loss) Profit per share	(7)		
From continuing and discontinued operations:			
— Basic and diluted (HK cents)		**(0.58)**	(0.80)
From continuing operations:			
— Basic and diluted (HK cents)		**(0.66)**	(0.74)
From discontinued operation:			
— Basic and diluted (HK cents)		**0.08**	(0.06)

Consolidated Statement of Financial Position

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Non-current assets			
Property and equipment	(8)	45,650	81,315
Investment properties		61,132	68,832
Goodwill		2,661	2,661
Intangible assets		10,052	321,059
Other assets		62,822	37,020
Rental and utility deposits		—	34,091
Interest in an associate		153,698	152,939
Loan to an associate		10,296	10,296
Available-for-sale investments		21,031	—
Deferred tax assets		1,000	6,700
		368,342	714,913
Current assets			
Inventories		—	56,785
Accounts receivable	(9)	574,235	920,032
Loans receivable	(10)	34,837	61,496
Prepayments, deposits and other receivables		67,040	38,351
Tax recoverable		3,560	3,536
Investments held for trading		64,309	123,206
Bank deposits subject to conditions		17,155	90,555
Bank balances — trust and segregated accounts		607,253	782,293
Bank balances (general accounts) and cash		149,880	291,250
		1,518,269	2,367,504

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Current liabilities			
Accounts payable	(11)	**915.318**	1,590,760
Accrued liabilities and other payables		**53,917**	89,427
Amount due to Celestial Asia Securities Holdings Limited ("CASH")	(14)	**54,949**	—
Taxation payable		**9,634**	14,031
Obligations under finance leases — amount due within one year		**155**	263
Bank borrowings — amount due within one year		**203,140**	356,914
Loan from a non-controlling shareholder		**27,437**	27,437
		1,264,550	2,078,832
Net current assets		**253,719**	288,672
Total assets less current liabilities		**622,061**	1,003,585
Non-current liabilities			
Deferred tax liabilities		**4,316**	55,841
Bank borrowings — amount due after one year		**23,123**	26,331
		27,439	82,172
Net assets		**594,622**	921,413
Capital and reserves			
Share capital	(13)	**77,558**	77,558
Reserves		**482,511**	809,567
Equity attributable to owners of the Company		**560,069**	887,125
Non-controlling interests		**34,553**	34,288
Total equity		**594,622**	921,413

Consolidated Statement of Changes in Equity

	Unaudited								
	Six months ended 30 June 2013								
	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Retained earnings (accumulated loss) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2013	77,558	459,940	176,788	7,814	13,399	151,626	887,125	34,288	921,413
Loss for the period	—	—	—	—	—	(22,454)	(22,454)	(595)	(23,049)
Exchange differences arising on translation of foreign operations	—	—	—	—	1,240	—	1,240	860	2,100
Other comprehensive income for the period (net of tax)	—	—	—	—	1,240	—	1,240	860	2,100
Total comprehensive income (expense) for the period	—	—	—	—	1,240	(22,454)	(21,214)	265	(20,949)
Amount transferred to retained earnings as a result of expiration of share options	—	—	—	(6,877)	—	6,877	—	—	—
Amount transferred from share premium to contributed surplus	—	(100,000)	100,000	—	—	—	—	—	—
Amount transferred from contributed surplus to retained earnings	—	—	(159,000)	—	—	159,000	—	—	—
Dividend in specie	—	—	—	—	—	(305,842)	(305,842)	—	(305,842)
At 30 June 2013	77,558	359,940	117,788	937	14,639	(10,793)	560,069	34,553	594,622

	Unaudited Six months ended 30 June 2012								
	Attributable to equity holders of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Share-based payment reserve HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2012	78,382	461,665	176,788	28,151	13,319	169,426	927,731	33,363	961,094
(Loss) profit for the period	—	—	—	—	—	(31,532)	(31,532)	2,889	(28,643)
Exchange differences arising on translation of foreign operations	—	—	—	—	396	—	396	—	396
Other comprehensive income for the period (net of tax)	—	—	—	—	396	—	396	—	396
Total comprehensive income (expense) for the period	—	—	—	—	396	(31,532)	(31,136)	2,889	(28,247)
Share-based compensation	—	—	—	562	—	—	562	—	562
Amount transferred to retained earnings as a result of expiration of share options	—	—	—	(2,361)	—	2,361	—	—	—
Dividend paid to non-controlling interests	—	—	—	—	—	—	—	(4,250)	(4,250)
At 30 June 2012	78,382	461,665	176,788	26,352	13,715	140,255	897,157	32,002	929,159

Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
Net cash used in operating activities	(83,794)	(89,402)
Net cash used in investing activities	(49,586)	(15,224)
Net cash (used in) generated from financing activities	(7,990)	5,489
Net decrease in cash and cash equivalents	(141,370)	(99,137)
Cash and cash equivalents at beginning of period	291,250	414,079
Cash and cash equivalents at end of period	149,880	314,942
Bank balances (general accounts) and cash	149,880	314,942

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the unaudited consolidated accounts include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and by the Hong Kong Companies Ordinance.

(2) Significant accounting policies

Except for the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by HKICPA, which are mandatory for the accounting periods beginning on or after 1 January 2013, the accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2012.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine

The directors of the Company consider that the adoption of these new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the Group's consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date and transition disclosures [2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities [1]
Amendments to HKFRS 9	Financial instruments [2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities [1]

[1] *Effective for annual periods beginning on or after 1 January 2014.*

[2] *Effective for annual periods beginning on or after 1 January 2015.*

(3) Revenue

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

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000 (restated)
Fees and commission income	92,149	85,119
Interest income	13,355	11,021
	105,504	96,140

(4) Segment information

Upon the completion of the distribution in specie of all the issued shares of CASH Retail Management (HK) Limited ("CRMG", the holding company of the Group's retailing business) on 28 June 2013, CRMG ceased to be the subsidiary of the Group with effect from 28 June 2013. Accordingly, the operating results of the Group's retailing business for the period from 1 January 2013 to 27 June 2013 was disclosed as discontinued operation which was disclosed in note (6) below.

The Group is then principally engaged in the following activities:

— provision of online and traditional brokerage of securities, futures and options as well as mutual funds and insurance-linked investment products;

— principal investments of securities and options;

— provision of margin financing and money lending services; and

— provision of corporate finance services.

Reportable and operating segments

Information reported to the Chief Executive Officer ("CEO") of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of products or services provided, with each operating segment representing a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Because of the discontinuance of the retailing business as above-mentioned, the CEO considers that the Group solely operates its financial services business afterwards and shall be monitored as a whole. Therefore no segmental information is presented accordingly.

Entity-wide disclosures

The Group's continuing operations are principally located in Hong Kong and therefore no geographical segmental information is presented.

(5) Income tax expense

	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Current tax:		
— Hong Kong Profits Tax	383	900

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction, if applicable. No provision for the PRC income tax has been made as they incurred tax losses in both periods.

(6) Discontinued operation

Retailing business of the Group was discontinued upon the completion of the distribution in specie of all the issued shares of CRMG on 28 June 2013. Accordingly, the operating results of the retailing business for the period from 1 January 2013 to 27 June 2013 were disclosed as discontinued operation.

The results of the retailing business for the period from 1 January 2013 to 27 June 2013, which have been included in the current consolidated statement of comprehensive income and corresponding six months ended 30 June 2012, were as follows:

	Period from 1.1.2013 to 27.6.2013 HK$'000	Six months ended 30 June 2012 HK$'000
Revenue	546,315	514,103
Other income	2,221	1,984
Cost of sales for retailing business	(323,337)	(304,862)
Salaries, commission and related benefits	(61,726)	(58,948)
Depreciation	(9,531)	(12,180)
Finance costs	(2,689)	(1,982)
Other operating and administrative expenses	(146,983)	(139,702)
Profit (Loss) before taxation	4,270	(1,587)
Income tax expense	(1,000)	(1,000)
Profit (Loss) for the period from discontinued operation	3,270	(2,587)
Profit (Loss) for the period from discontinued operation attributable to owners of the Company	3,270	(2,587)

(7) (Loss) Profit per share

From continuing and discontinued operations

The calculation of basic loss per share attributable to the owners of the Company for the six months ended 30 June 2013 together with the comparative figures for the prior period are based on the following data:

	Unaudited Six months ended 30 June 2013 HK$'000	 2012 HK$'000
Loss for the purposes of basic and diluted loss per share	(22,454)	(31,532)

From continuing operations

	Unaudited Six months ended 30 June 2013 HK$'000	 2012 HK$'000
Loss for the period attributable to the owners of the Company	(25,724)	(28,945)

From discontinued operation

	Unaudited Six months ended 30 June 2013 HK$'000	 2012 HK$'000
Profit (Loss) for the period attributable to the owners of the Company	3,270	(2,587)

The denominators used for the calculation of various basic and diluted losses per share from continuing and discontinued operation respectively are the same as those detailed below.

	Unaudited Six months ended 30 June 2013 '000	 2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	3,877,859	3,919,062

The computation of various basic and diluted losses per share for both periods has not taken into account the effects of share options as it would result in decrease in loss per share.

(8) Property and equipment

During the period, the Group spent approximately HK$10,453,000 (2012: HK$14,873,000) on the acquisitions of property and equipment.

(9) Accounts receivable

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	30,325	40,050
Cash clients	48,873	313,212
Margin clients	242,715	270,160
Accounts receivable arising from the business of dealing in futures and options:		
Clients	234	157
Clearing houses, brokers and dealers	251,229	294,796
Commission receivable from brokerage of mutual funds and insurance-linked investment products	859	1.357
Accounts receivable arising from the business of provision of corporate finance services	—	300
	574,235	920,032

The settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses, brokers and dealers, and accounts receivable arising from the business of dealing in futures and options are one day after trade date or at specific terms agreed with clearing houses, brokers and dealers.

The Group offsets certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances; and intends either to settle on a net basis, or to realise the balances simultaneously.

Accounts receivable from margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of broking business.

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment products as well as accounts receivable arising from the business of corporate finance services, the Group allows a credit period of 30 days. The ageing analysis (from the completion date of the services) is as follows:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
0–30 days	**332**	977
31–60 days	**165**	533
61–90 days	**133**	—
Over 90 days	**229**	147
	859	1,657

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

Name	Balance at 1 January 2013 HK$'000	Balance at 30 June 2013 HK$'000	Maximum amount outstanding during the period HK$'000	Market value of pledged securities at fair value at 30 June 2013 HK$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note 3)	—	—	15,955	—
Mr Cheng Man Pan Ben and associates	234	155	2,970	876
Ms Cheng Pui Lai Majone and associates	—	—	8,909	284
Directors of CASH				
Mr Ng Kung Chit Raymond and associates	—	—	7,978	—
Dr Chan Yau Ching Bob and associates	—	—	1,228	7,672
A wholly-owned subsidiary of CASH				
Libra Capital Management (HK) Limited	—	220	8,623	275
Shareholders with significant influence over CASH (Note 2)				
Cash Guardian Limited	—	20	1,496	2,726
Mr Kwan Pak Hoo Bankee and associates (Note 3)	—	—	5,265	1,124

Notes:

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

(2) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH (the holding company of the Company).

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

The above balances are repayable on demand and bear interest at commercial rates which are similar to the rates offered to other margin clients.

(10) Loans receivable

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Loans receivable denominated in Hong Kong dollar	79,234	103,493
Less: Allowance for bad and doubtful debts	(44,397)	(41,997)
	34,837	61,496
Carrying amount analysed for reporting purposes:		
Current assets	34,837	61,496
	34,837	61,496

(11) Accounts payable

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	—	257,383
Cash clients	450,950	577,656
Margin clients	104,139	102,065
Accounts payable to clients arising from the business of dealing in futures and options	360,229	487,256
Trade creditors arising from retailing business	—	166,400
	915,318	1,590,760

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date or at specific terms agreed with clearing houses. Accounts payable to margin clients and cash clients are repayable on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of share margin financing.

Accounts payable to clients arising from the business of dealing in futures and options are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures and options position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of these businesses.

The accounts payable amounting to HK$607,253,000 (2012: HK$782,293,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing cost. The credit period taken for trade purchase is ranged from 30 to 90 days.

The following is an ageing analysis (from trade date) of trade creditors arising from retailing business at reporting date:

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
0–30 days	—	73,623
31–60 days	—	54,195
61–90 days	—	22,035
Over 90 days	—	16,547
	—	166,400

(12) **Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank borrowings and loan from a non-controlling shareholder, and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves as disclosed in consolidated statement of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share and options issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission ("SFC") and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules ("SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout both periods.

Financial risk management objectives and policies

The Group's major financial instruments include equity and debt securities, investment fund, loans receivable, other receivables, other payables, bank balances and deposits, bank borrowings, accounts receivable, loan to an associate, loan from a non-controlling shareholder and accounts payable. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Price risk

The Group has a portfolio of held-for-trading investments in equity and debt securities and investment fund, which are carried at fair value and is exposed the Group to price risk. The Group's exposures to price risk for debt securities include changes in the credit spreads and market interest rates. The directors of the Company manage the exposure by closely monitoring the portfolio of equity and debt and investment fund, and imposing trading limits on individual trades.

Moreover, the Group is exposed to equity price risk as a result of changes in fair value of its investments in derivatives. The directors of the Company manage the exposure by closing all the open position of derivatives and/or imposing trading limits on daily basis.

Interest rate risk

Fair value interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank balances, fixed rate loans receivable and fixed rate debt securities. The price of the investments in debt securities which are classified as financial assets held for trading is affected by the change in market interest rate. The Group currently does not have a fair value hedging policy.

Cash flow interest rate risk

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, loans receivable, loans to margin clients and bank balances. The Group currently does not have a cash flow interest rate hedging policy. However, management is closely monitoring its exposure arising from margin financing and other lending activities undertaken by allowing an appropriate margin on the interest received and paid by the Group.

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

Foreign currency risk

The Group entities have financial assets and liabilities denominated in currencies other than their respective functional currencies. Consequently, the Group is exposed to risks that the exchange rate of functional currencies relative to other currencies may change in a manner that has an adverse effect on the value of the position of the Group's assets denominated in foreign currencies.

The exposure primarily arises from the receivables from foreign brokers, foreign currency deposits with banks, loan to an associate, debt securities listed outside Hong Kong and accounts payable to clients denominated in United Stated dollars ("USD") and Renminbi ("RMB"). The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arises. The directors of the Company do not expect significant foreign exchange risk to the Group in view of the Hong Kong dollar pegged system to the USD.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk on brokerage, financing and corporate finance operations, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount of loans receivable and accounts receivable on an individual and collective basis at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Credit risk arising on debt securities is mitigated by investing primarily in rated instruments or instruments issued by counterparties of credit ratings of at least BB+ or equivalent as determined by Standard & Poor's, Moody's or Fitch, any exception to which shall be approved by the management of the Group.

In respect to the accounts receivable from MF Global Hong Kong Limited, the Group closely monitors the development and the directors of the Company closely contact with the liquidators for the recoverable amount to address the credit risk.

The Group does not have any significant concentration of credit risk as the exposure spread over a number of counterparties and customers, except for the loans receivable.

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

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with clearing houses or brokers and customers. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of listed equity and debt securities listed outside Hong Kong with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices;

— the fair value of debt securities listed in Hong Kong and unlisted investment fund are determined based on brokers' quotes due to absence of an active market; and

— the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

(13) Share capital

	Par value of each ordinary share HK$	Number of shares '000	Amount HK$'000
Ordinary shares			
Authorised:			
At 1 January 2013 and 30 June 2013	0.02	15,000,000	300,000
Issued and fully paid:			
At 1 January 2013 and 30 June 2013	0.02	3,877,859	77,558

(14) **Related party transactions**

In addition to the transactions and balance detailed in note (9), the Group had the following transactions with related parties:

	Notes	Unaudited Six months ended 30 June 2013 HK$'000	2012 HK$'000
Commission and interest income received from the following directors of the Company			
Mr Law Ping Wah Bernard and associates	(d)	27	5
Mr Cheng Man Pan Ben and associates		26	19
Ms Cheng Pui Lai Majone and associates		4	2
		57	26
Commission and interest income received from the following directors of CASH	(a)		
Mr Ng Kung Chit Raymond and associates		8	2
Dr Chan Yau Ching Bob and associates		12	—
		20	2
Commission and interest income received from the following wholly-owned subsidiary of CASH	(a)		
Libra Capital Management (HK) Limited		49	—
Commission and interest income received from the following substantial shareholders with significant influence over the Company	(c)		
Cash Guardian Limited		12	—
Mr Kwan Pak Hoo Bankee	(d)	10	—
		22	—
Loan interest income received from the following director of the Company			
Mr Cheng Man Pan Ben	(b)	37	37
Underwriting fee income on rights issue received from CASH	(a)	902	—
Financial advisory income received from CASH	(a)	200	—
Rental and building management expense paid to CASH	(a)	2,029	2,070
Amount due to CASH	(a)&(b)	54,949	—

Notes:

(a) CASH is the holding company of the Company.

(b) The loan was unsecured and repayment on demand.

(c) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CASH (the holding company of the Company).

(d) Mr Kwan Pak Hoo Bankee and Mr Law Ping Wah Bernard are also the executive directors of CASH.

(15) Capital Commitments

	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment (Note)	184,113	207,128
Acquisition of equity interests in an equity	—	20,639
	184,113	227,767

Note: The Group has entered into provisional sale and purchase agreements with a property developer on 10 November 2012 in relation to the acquisition of two Hong Kong properties for self-occupation at a consideration of approximately HK$230,142,000, of which deposits of approximately HK$46,029,000 were paid to the property developer up to 30 June 2013.

(16) Interim dividend

No interim dividend in respect of the six months ended 30 June 2013 and 30 June 2012 was declared by the Board.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2013 (2012: nil).

Review and Outlook

Financial Review

On 15 May 2013, the Group announced to distribute all of its investment in retail management business to its qualified shareholders through distribution in specie which was subsequently completed on 28 June 2013. As such, CASH Retail Management (HK) Limited ("CRMG", together with its subsidiaries as "Retail Management Business") ceased to be a subsidiary of the Group since 28 June 2013. The revenue and operating results of the Retail Management Business for the period from 1 January 2013 to 27 June 2013 were disclosed as profit (loss) for the period from discontinued operation. The Group has restated the financial information for the same period last year for comparison purpose.

For the six months ended 30 June 2013, the Group's financial services business (FSG), being the Group's continuing operations, recorded a 9.7% increase in revenue to HK$105.5 million as compared to HK$96.1 million for the same corresponding period last year. The increase was due to general improvement in investment sentiment in Hong Kong stock market during the year under review. However, FSG was facing very tough operating environment and keen competition. Overall, for the six months ended 30 June 2013, FSG recorded a net loss of HK$26.3 million as compared to the net loss of HK$26.1 million for the same period last year.

Retailing Management Business, the Group's discontinued operation, recorded a 6.3% increase in revenue to HK$546.3 million for the period under review as compared to HK$514.1 million for the same corresponding period last year. The increase was mainly driven by successful launch of innovative products and services during the period under review. For the six months ended 30 June 2013, the Retail Management Business reported a net profit of HK$3.3 million as compared to the net loss of HK$2.6 million for the same period last year.

Overall, the Group reported a net loss for the period attributable to the owners of the Company of HK$23.0 million as compared to a net loss of HK$28.6 million for the same period last year.

Financial Services Business — FSG

During the period under review, the Hong Kong stock market faced mixed sentiments with unpredictable changes and challenges. In early 2013, investors' concerns about unresolved sovereign debts crises in Europe started abating after the European Central Bank announced the outright monetary transaction program to purchase European debts and its monetary easing policy until at least mid-2014. Together with the US Fed's third round of quantitative easing, the investor confidence in the local stock market improved as a result of abundant market liquidity at home and overseas. However, the capital market was rocked in the second quarter of the year when the investor sentiment was battered by the fears that the era of easy money would not last for long very soon as the US Fed had started considering the timeline for the withdrawal of stimulus measures. The rapid slowdown in the Mainland's economy which was reflected by the disappointing China's purchasing managers' indices for the recent months further rattled the stock market in May and June this year. Despite the uncertainties in economic outlook, the stock market in Hong Kong has shown mild growth and improvement during the period under review. For the first six months ended 30 June 2013, the average daily turnover was approximately HK$68.3 billion, representing an increase of 20.4% when compared with HK$56.7 billion for the same period last year. Overall, FSG recorded a 9.7% increase in revenue to HK$105.5 million as compared to HK$96.1 million for the same corresponding period last year. Nevertheless, FSG remained cautiously optimistic about the economic outlook in the medium and longer term. In view of the unfavourable business environments including the sluggish trading volumes, surging operating costs and the commission war among local brokers, the Group will continue to maintain stringent cost controls over its operations. During the period under review, FSG has launched a new advertising campaign to promote its new business innovation and transformation of its financial service business from a retail-oriented brokerage to a technology-driven financial services house.

Retail Management Business (the Group's discontinued operation)

Hong Kong Retailing Business

Rising operating costs posed the biggest challenge to the Group's Retail Management Business. The newly enacted and lifted statutory minimum wage, inflationary pressure and appreciation of Renminbi were driving up our operating costs. Furthermore, in order to dampen residential price growth, the Hong Kong government has rolled out additional measures such as Buyers Stamp Duty, extension of the two-year-old Special Stamp Duty and Double Stamp Duty. Such measures had hit the property market hard and inevitably dragged our furniture sales. In the first half of 2013, total number of transactions for residential property dropped remarkably by about 33.4% as compared with the same corresponding period last year. To cope with these challenges, we have continued to step up our cost rationalisation measures and improved our operational efficiency while at the same time, we have adopted a new branding campaign namely "Living Smart". New innovative products focusing on living space optimisation were introduced to the market during the period under review. Despite the challenging business environment, the retailing business in Hong Kong reported a 6.2% increase in revenue to HK$542.0 million and an operating profit of HK$10.5 million for the six months ended 30 June 2013 as compared to revenue of HK$510.3 million and an operating profit of HK$8.3 million in the same corresponding period last year.

PRC Retailing Business

The operating performance of the retailing business in mainland China was not satisfactory and has yet to make any profit contribution to us. During the period under review, we have closed an underperformed store and at the same time taken more cost control measures. To tap with the fast expanding e-commerce market opportunity in China, Retail Management Business will dedicate resources to developing e-commerce business which has been scheduled to be launched in the second half of this year. Overall, for the six months ended 30 June 2013, the PRC retailing operation recorded revenue of HK$4.3 million and a net loss of HK$7.2 million as compared to revenue of HK$3.8 million and a net loss of HK$9.9 million for the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK$594.6 million as at 30 June 2013 as compared to HK$921.4 million as at 31 December 2012. The change was the combined result of the reported loss for the period under review and the distribution in specie of all shares of CRMG.

As at 30 June 2013, the Group had total outstanding bank borrowings of approximately HK$226.3 million, comprising of bank loans of HK$201.3 million, mortgage loans of HK$24.2 million and bank overdrafts of HK$0.8 million. Bank loans and overdrafts in aggregate of HK$131.0 million were collateralised by its margin clients' securities pledged to the Group. A transitional bank loan of HK$23.3 million was secured by the Group's bank balance of approximately HK$23.3 million. Mortgage loans in aggregate of HK$24.2 million were secured by the Group's investment properties with a total carrying amount of approximately HK$61.1 million. The remaining bank loans and overdrafts in aggregate of HK$47.8 million were secured by corporate guarantees from the Company.

Pursuant to a letter of undertaking provided by the Group to a bank, the Group undertakes to maintain deposits of not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility of HK$15.0 million granted by this bank. Accordingly, bank deposits in aggregate of approximately HK$17.2 million were held for this purpose and presented as bank deposits subject to conditions as at 30 June 2013.

The Group also had an unsecured loan of US$3.5 million (equivalent to approximately HK$27.4 million) from a minority shareholder of one of its subsidiaries and an outstanding obligation under a finance lease of approximately HK$0.2 million as at 30 June 2013.

As at 30 June 2013, our cash and bank balances including the trust and segregated accounts totalled HK$774.3 million as compared to HK$1,164.1 million as at 31 December 2012. The reduction in cash and bank balances was mainly related to the exclusion of the Retail Management Business from consolidation after the completion of the distribution in specie on 28 June 2013 and the reduction of clients' monies due to the recent poor investment market sentiment. The liquidity ratio as at 30 June 2013 remained healthy at 1.2 times, being at the similar level as at 31 December 2012. The gearing ratio as at 30 June 2013, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, decreased to 38.1% from 41.6% as at 31 December 2012. The decrease was due to the net effect arising from the exclusion of the Retail Management Business from consolidation. On the other hand, we have no material contingent liabilities at the period-end.

Foreign Exchange Risks

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

Material Acquisitions and Disposals

On 3 December 2012, a subsidiary of the Company entered into a subscription agreement relating to a discloseable transaction for subscription of 20% equity interest in Infinity Equity Management Company Limited ("Infinity", which is engaged in business of venture capital and private equity management) at the consideration of US$2,670,000 (equivalent to approximately HK$20,639,000) in cash. The subscription was completed on 3 January 2013. The subscription agreement was also subject to an adjustment clause regarding the attainment of consolidated after-tax net profit of Infinity of not less than RMB9 million (equivalent to HK$11.2 million) in accordance with its audited accounts for the year ended 31 December 2012, and the 2012 target profit had been attained accordingly. Details of the transaction are disclosed in the announcement of the Company dated 3 December 2012.

On 15 May 2013, the Company issued an announcement in relation to the distribution in specie by the Company of all the shares in CRMG (the holding company of the Retail Management Business). The distribution in specie was approved by the shareholders of the Company at the special general meeting held on 21 June 2013 and was completed on 28 June 2013. Since then, CRMG ceased as a subsidiary of the Company. Details of the transaction are disclosed in the various announcements and circular issued by the Company from May to June 2013.

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

Capital Commitments

As at 30 June 2013, the Group has a capital commitment of HK$184.1 million in relation to the balance of consideration of acquisition of the properties as mentioned in the above paragraph. Details of the capital commitment are also disclosed in note (15) above.

Save as aforesaid, the Group did not have any material outstanding capital commitments at the end of the period.

Material Investments

As at 30 June 2013, the Group was holding a portfolio of investments held for trading with market values of approximately HK$64.3 million. The net gain derived from investments held for trading of HK$40.2 million was recorded for the period.

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

Industry and Business Review

Financial Services Business

Industry Review

In the first half of 2013, Hong Kong economy recorded a mild 3.1% growth. In China, economy rebounded slowly after a strong growth in the second half year of 2012, as a result of sluggish global demand and increasing internal tensions. Dragged by the European debt crisis and domestic fiscal problem, US economy only grew 2.2% last year.

Due to the weak China stock market as a result of political uncertainties arising from the change of leadership, the Hong Kong stock market underperformed other markets, such as the Dow Jones Industrial Index, German Index and the Japan Nikkei Index, with YTD return of –1.7%. In China, the Shanghai Composite Index has fallen 12.8% in the first half of 2013.

Despite the 8.1% drop in the Hang Seng Index during the first half of 2013, average daily turnover during the period reached HK$68,280 million, a climb of 20% when compared with HK$56,697 million for the same period last year.

In 2013, the Hong Kong Government issued the third inflation-linked bond (iBond). Its popularity demonstrated that local investors are turning their focus from speculative investments to more stable returns. This third release of iBond attracted 525,000 applications, representing a 58% jump and a decline of nearly 20% in lock-up amount.

Business Review and Outlook

Mobile Trading and Platform Development

In first half of the year, we continued to enhance our mobile trading platform. An iPad trading App "CharTrader" was introduced to the market in January. It is first in Hong Kong market, which allows investors to trade HK futures contract by touching any points on the chart. The order status and the positions can also be shown on the chart. Since launched, it attracted market attention and received appreciation from the futures market investors. In May, we launched an iPhone and Android App "Big Tea Rice", a finance version of OpenRice. It targeted users who have interest in HK stock market. It provides an interactive interface for investors to search for their favorite stocks by setting different criteria by their own. It also sets up a platform for investors to express their views and write commentaries on the stocks.

With an aim to consistently grow our client base, we launched a series of marketing and branding campaign during the period. In order to promote our mobile trading platform in Mainland China, we utilise different social media channels. Besides Sina Weibo and Tencent Weibo, a WeChat corporate account CFSG was established to promote our services to mainland investors who are invested in HK market. We will continue to put effort on our social media marketing to increase the users of our mobile trading platform.

Fund Management

The Group has expanded into the fund management business in China through the investment in Infinity in December 2012. Infinity owns 16 local RMB funds with asset under management of exceeding RMB2 billion. It invests in a diverse portfolio of Chinese companies in a wide range of industry sectors, with an impressive track record for partnering with high-growth technology companies.

In May 2013, Infinity Group and its partner have committed to taking part in building and financing the new Beijing Eco-Valley Project, the first Sino-Israeli 'smart' agricultural city. The Project is a joint initiative between Infinity Group, an independent third party, and the City of Beijing, with the support of the Israeli Government.

During the period, planning for setting new offshore funds focusing on pre-IPO investments in Hong Kong and projects in China with expected returns respectively have been conducted and cross-selling of brokerage, investment banking, wealth management and asset management services of the Group has been made through network of Infinity in China. Potential IPO candidates have been referred to our Investment Banking Group for pitching while investment and wealth management products distributions have been established.

Investment Banking

After recording a significant drop in the IPO fund raising in Hong Kong by more than 60% in 2012, the IPO market improved in the first half of 2013 in terms of size of fund raised. The total amount of fund raised through Main Board IPOs increased by approximately 28%, notwithstanding a decrease in number of new listing companies by more than 30%, during the first half of 2013 as compared with the corresponding period last year. Despite such improvement in the market sentiment, it is expected that the IPO market in Hong Kong and the market participants will face more challenges upon the new rules and regulations on IPOs and sponsors becoming effective in the coming October. In order to cope with the changing market environment and more stringent regulatory requirements, we will continue our strategy in sponsoring IPOs of quality small to medium cap companies by leveraging our strength in such sector.

In addition to the IPO projects, we have focused on M&A advisory, fund raising activities and other corporate finance exercises. During the six months ended 30 June 2013, we acted as the financial advisor to a number of clients, including a H-Share listed company in China (namely Xiamen International Port Co., Ltd), in respect of M&As, formation of joint venture in the PRC, disposal of key assets and businesses, acquisition of interests in PRC companies, distribution in specie, and general offer made under the Takeovers Code. We will keep on this proven strategy to have a balanced focus on IPOs as well as other financial advisory and corporate transactions for the purpose of diversifying our business and income streams.

Broking

In the first half of the year, the securities market in the territories experienced ups and downs as a result of the change of China leadership and the statement of US Federal Reserve on reduction of bond purchase. The benchmark Hang Seng Index moved within the narrow band between 19,426 and 23,945 without directions whereas the market securities trading volume increased by 17.5% as compared to corresponding period last year.

During the period, the Group became market maker of USD/CNH Futures of Chicago Mercantile Exchange (CME Group), Hang Seng Index Options and Mini-Hang Seng Index Options of Hong Kong Futures Exchange (HKFE). In addition, favoured by the depreciation of major currencies like Yen and Australian dollar against US dollar, the revenue from commodities brokerage increased steadily. This is also attributable to the fruitful results of our continuous effort in acquiring new commodities clients in the Mainland China. Despite the pessimistic market sentiment, commission income from brokerage grew by 8.3% to HK$92.1 million compared to last year. Revenue from margin financing business increased 21.2% to HK$13.4 million. It is expected that our commodities brokerage business will achieve a double digit growth in revenue for the year of 2013. As the market landscape experiences fundamental changes, we foresee that the commodities brokerage business, especially international commodities and China business, will be our key revenue growth drivers in the next few years.

Asset Management

Slower economic growth in China raised investors' concern on economic hard landing. Investors reallocated their portfolio by lowering the proportion of Hong Kong and China stocks while increasing the proportion on US and European stocks in their portfolio. Hong Kong and China's stock market underperformed the global stock markets in the first half of the year. The HSI fell 8.1% and the H-share index fell 18.58% in the first half of 2013.

Our amount of Asset Under Management (AUM) maintained at the same level as at the end of 2012. Compared with the overall decline in the benchmark index (HSI and H-Share index), we outperformed the market during the period as we put more efforts in acquiring new high-net-worth clients. As the slowdown of economic growth in China becomes obvious, we adjusted our strategies by focusing on sectors bearing low correlation with the overall economic growth, such as technology, gas and gaming industries and avoiding raw material and financial sectors which are more dependent on the macro economic trends.

Looking forward, we expect China's economic growth rate to sustain at 7% in the coming few years. The Hong Kong stock market is trading at around 11 times prospective 2013 P/E and around 3.2% dividend yield. The current valuation is very attractive for long-term investment. As negative factors such as slow down of the economic growth in China, have been factored into the undemanding valuation, we are conservatively optimistic about the Hong Kong stock market in the second half of 2013. We believe that our AUM and revenue, including performance fee and management fee will be maintained at a stable level.

Wealth Management

The competition for wealth management business continues to intensify as more independent financial advisors enter the playing field, driving down the service standards and fee structure. Having said that, our business was able to record a moderate growth in terms of turnover in the first half year of 2013, thanks to its mainland strategies implemented a few years ago which enhance income sources and develop new channels.

One of our key strategies in 2013 is to develop in-house products to align with the direction of broadening income stream and maintaining pricing power. As the equity markets remained volatile in the first half of the year, demand for fixed-income products remained high. In response, we launched a series of 12- to 18-month interest-bearing investments to meet the market demand. These products were popular within the high-net-worth segment. The ability to design proprietary products has not only enhanced our marketing capability and pricing autonomy, but also uplifted our corporate brand.

As an ongoing strategy to accumulate AUM, we devote great efforts in promoting discretionary portfolio services. We believe, by providing professional and personalised portfolio advices, clients would gain from our active portfolio monitoring services and achieve better returns on their investments. This value-added service increases client stickiness and attracts new capital injection from prospective clients. It also helps diversify our income sources in addition to asset accumulations.

Outlook

Increasing pressure on economic restructuring in China, strengthening growth momentum in the US and the possible end of the Euro-zone recession forms the basic picture of the global economy in the second half of 2013.

To capture opportunities on Hong Kong's development as an RMB offshore centre and the increasingly interconnected global financial markets driven by technology-based trading strategies, the Group will continue to diversify our businesses and upgrade our IT infrastructure. We have also become a direct participant of the CME Group and the first member of Scoach of the Deutsche Borse AG in Asia. We will further extend our product ranges, improve our mobile and electronic platforms and gain access to international exchanges in order to provide our clients with direct, efficient and round-the-clock trading services. In addition to the hardware advancement, the Group will continue to recruit teams of financial professionals from around the globe so as to continually enhance our trading models and strategies.

Looking ahead, in anticipation of the trim of US quantitative easing stimulus, the global financial market is likely to remain volatile for the coming quarters. The Group will continue to monitor the ever-changing market landscape and transform ourselves into a technology-focused financial services specialist catering for client's versatile investment and wealth management needs, anytime, anywhere.

Retail Management Business

Industry Review

Despite a double-digit rise in Hong Kong's total retail sales, the volume of furniture and fixture sales dropped by almost 3.0% in the first half of 2013. The government's market-cooling measures on local property, such as the double stamp duty, had already dipped the total number of sale and purchase of residential properties by 33.4% in the first half of the year as compared with the corresponding period last year. Despite all these adverse market environment, Pricerite has achieved a satisfactory performance in both turnover and gross profit in the first half of 2013.

Business Review and Outlook

To enable couples and individuals to enjoy living despite the crowded living space in Hong Kong, Pricerite is dedicated to developing LIVING SMART solutions for our customers in recent years, aiming to help our customers improve their living quality. During the period, we have revamped our flagship store in Causeway Bay to showcase the LIVING SMART solutions. A great variety of room settings were presented to inspire different decorating ideas with our furniture series. Our well-received tailor-made furniture centre has now been set up in most of our stores to demonstrate different space optimization ideas, such as raised floor, pull-down wall bed and table. Ranges of wall-mount shelving items have been revamped and expanded to better blend function and aesthetic appeals on vertical storage and organization.

With our key strengths in living-space optimization, time and resources savings, and healthier and safer living, our merchandising team and product development team have worked closely with our suppliers to introduce numerous innovative products and solutions to deepen and broaden the LIVING SMART product portfolio. Our sales performance in customized furniture continued to show a double-digit growth with our expansion in tailor-made furniture centres and a growing team of specialists. The trend is expected to continue as living space maximisation has been a challenge to most Hong Kong households for years. At end of 2012, Pricerite launched the Hiddenbed space saving furniture and became the exclusive retailer of this leading space saving furniture brand in Hong Kong. Hiddenbed has presence in 22 countries and its patented mechanics enables users to easily transform a bed to a desk (and vice versa) simply in seconds, doubling the usable space. Since its launch, Hiddenbed is well received by most Hong Kong families. More models will be launched later this year to cater for different space optimization needs of customers. To further expand the product range of wardrobe series, a new mix-and-match wardrobe system called WoodCrest has been rolled out to market in the first half of this year. To capitalize on the Yen depreciation, we have increased the merchandising mix from Japan, so as to provide customers with more quality household merchandises at appealing prices.

Since its re-launch in early 2012, Pricerite online shop has reported a high double-digit growth in terms of traffic and sales. In view of the high broadband and smartphone penetration as well as increasing rental of physical retail outlet, we will put more resources to accelerate the development of our online shop to support round-the-clock shopping needs of our younger customers.

During the year, we took a new initiative to explore the mobile-commerce by launching Pricerite Express. Being the first of its kind in Hong Kong, Pricerite Express delivers the convenience of mobile-commerce while at the same time replicates the actual shopping experience. By displaying 1:1 scale of products on wall posters at Admiralty, Tsing Yi and Tseung Kwan O MTR stations, hustle and bustle working class can shop by mobile device during transportation or waiting time. In view of the soaring rental and staff costs, Pricerite Express creates high market awareness, by making its first attempt to explore zero-floor-area, zero-instore-manpower shop for future business expansion.

During the period, we continued to strengthen our customer relationship management with the use of different social media platforms. We have successfully acquired 18,000 Facebook fans. Together with WeChat and Youtube channels, we stay connected with our customers anytime anywhere.

In April 2013, we have won the Distinguished Salesperson Award (DSA) and the Outstanding Young Salesperson Award (OYSA) held by Hong Kong Management Association, which once again demonstrated that our excellent service quality has been well recognized.

In Guangzhou, China, 生活經艶 has gradually built up its brand awareness and business momentum, In addition to two stores in Guangzhou, 生活經艶 will launch its online shop in T-Mall and build its own online shop in the second half of the year. It will continue to explore different business cooperation as well as working closely with local newspapers and TV channels to develop brand exposure.

In coming months, we will continue to closely monitor the impact of the suppressed Hong Kong residential market to our business. We are cautiously optimistic in sustaining our growth momentum by strong management capabilities and continue to satisfy customer needs by LIVING SMART products and solutions.

Employee Information

As at 30 June 2013, the Group had 256 employees related to financial services business. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees for the period under review was HK$118.4 million, of which HK$56.7 million related to financial services business and HK$61.7 million related to the discontinued operation of retailing business.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staffs, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/ comply with the continuous professional training as prescribed in the SFO. The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures, rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

Directors' Interests in Securities

As at 30 June 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") were as follows:

A. The Company

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

		Number of shares		
Name	Capacity	Personal	Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	1,725,160,589*	44.48
Chan Chi Ming Benson	Beneficial owner	55,000,000	—	1.41
Law Ping Wah Bernard	Beneficial owner	27,506,160	—	0.70
Cheng Man Pan Ben	Beneficial owner	29,337,000	—	0.75
Lo Kwok Hung John	Beneficial owner	2,095,500	—	0.05
		113,938,660	1,725,160,589	47.39

* The shares were held as to 1,657,801,069 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)), and as to 67,359,520 shares by Cash Guardian Limited ("Cash Guardian") (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee ("Mr Kwan")). Pursuant to the SFO, Mr Kwan was and deemed to be interested in a total of 32.42% shareholding interest in CASH, details of which are disclosed in the heading of "Substantial shareholders" below. Mr Kwan was deemed to be interested in all these shares in the Company held by CIGL and Cash Guardian as a result of his interests in CASH and Cash Guardian pursuant to the SFO.

Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares were charged under the Share Charges (as defined hereunder). Details of such shareholding interests are disclosed in the heading of "Substantial shareholders" below.

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

Name	Date of grant	Option period	Notes	Exercise price per share (HK$)	Number of options: outstanding as at 1 January 2013	Number of options: lapsed during the period (Note (4))	Number of options: outstanding as at 30 June 2013	Percentage to issued shares as at 30 June 2013 (%)
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012–31/10/2014	(1)&(3)	0.0930	39,000,000	—	39,000,000	1.01
Chan Chi Ming Benson	15/6/2009	15/6/2009–30/6/2013	(2)(A)	0.1335	16,500,000	(16,500,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(3)	0.0930	39,000,000	—	39,000,000	1.01
Law Ping Wah Bernard	11/10/2012	11/10/2012–31/10/2014	(3)	0.0930	39,000,000	—	39,000,000	1.01
Cheng Man Pan Ben	15/6/2009	15/6/2009–30/6/2013	(2)(A)	0.1335	16,500,000	(16,500,000)	—	—
	11/10/2012	11/10/2012–31/10/2014	(3)	0.0930	39,000,000	—	39,000,000	1.01
Cheng Pui Lai Majone	15/10/2010	15/10/2010–31/10/2013	(2)(B)	0.2764	5,500,000	—	5,500,000	0.13
	11/10/2012	11/10/2012–31/10/2014	(3)	0.0930	39,000,000	—	39,000,000	1.01
					233,500,000	(33,000,000)	200,500,000	5.18

Notes:

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

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013.

(B) Options granted on 15 October 2010

3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013.

(3) The vesting of certain options is subject to the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board and the options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(4) The options were lapsed on 30 June 2013 due to expiry of the options.

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

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

B. Associated corporations (within the meaning of SFO)

(i) CASH

(a) Long positions in the ordinary shares of HK$0.10 each

Name	Capacity	Number of shares: Personal	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	2,840,000	176,805,205*	32.42
Chan Chi Ming Benson	Beneficial owner	2,212,200	—	0.40
Law Ping Wah Bernard	Beneficial owner	18,230,208	—	3.29
Cheng Man Pan Ben	Beneficial owner	1,369,260	—	0.25
		24,651,668	176,805,205	36.36

* The shares were held by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian.

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

Name	Date of grant	Option period	Exercise price per share (Note (2)) (HK$)	Notes	Number of options: outstanding as at 1 January 2013	Number of options: adjusted during the period (Note (2))	Number of options: outstanding as at 30 June 2013	Percentage to issued shares as at 30 June 2013 (%)
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012–31/10/2014	0.624	(1)&(3)	3,600,000	450,000	4,050,000	0.73
Chan Chi Ming Benson	11/10/2012	11/10/2012–31/10/2014	0.624	(3)	2,000,000	250,000	2,250,000	0.41
Law Ping Wah Bernard	11/10/2012	11/10/2012–31/10/2014	0.624	(3)	3,600,000	450,000	4,050,000	0.73
					9,200,000	1,150,000	10,350,000	1.87

Notes:

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

(2) The exercise price and the number of share options have been adjusted due to 2-for-1 rights issue of CASH during the period. The exercise price per share was adjusted from HK$0.702 to HK$0.624.

(3) The vesting of the options is subject to achievement of agreed milestones/performance indicators as determined at the sole discretion of the board of directors of CASH and the options must be exercised within one month from the date on which the board's approval of the vesting of the options.

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

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

(ii) CRMG

Long positions in the ordinary shares of HK$0.001 each

Name	Capacity	Number of shares: Personal	Number of shares: Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	—	1,725,160,589*	44.48
Chan Chi Ming Benson	Beneficial owner	55,000,000	—	1.42
Law Ping Wah Bernard	Beneficial owner	27,506,160	—	0.71
Cheng Man Pan Ben	Beneficial owner	29,337,000	—	0.76
Lo Kwok Hung John	Beneficial owner	2,095,500	—	0.05
		113,938,660	1,725,160,589	47.42

* The shares were held as to 1,657,801,069 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)), and as to 67,359,520 shares by Cash Guardian (which was 100% beneficially owned by Mr Kwan). Pursuant to the SFO, Mr Kwan was and deemed to be interested in a total of 32.42% shareholding interest in CASH, details of which are disclosed in the heading of "Substantial shareholders" below. Mr Kwan was deemed to be interested in all these shares in CRMG held by CIGL and Cash Guardian as a result of his interests in CASH and Cash Guardian pursuant to the SFO.

Save as disclosed above, as at 30 June 2013, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

Details of share options to subscribe for shares in the Company granted to participants under the share option scheme of the Company during the six months ended 30 June 2013 were as follows:

				Number of options		
Date of grant	Option period	Exercise price per share (HK$)	Notes	outstanding as at 1 January 2013	lapsed during the period (Note (4))	outstanding as at 30 June 2013
Directors						
15/6/2009	15/6/2009–30/6/2013	0.1335	(1)&(2)(A)(i)	33,000,000	(33,000,000)	—
15/10/2010	15/10/2010–31/10/2013	0.2764	(1)&(2)(B)(i)	5,500,000	—	5,500,000
11/10/2012	11/10/2012–31/10/2014	0.0930	(1)&(3)(iv)	195,000,000	—	195,000,000
				233,500,000	(33,000,000)	200,500,000
Employees and consultants						
15/6/2009	15/6/2009–30/6/2013	0.1335	(2)(A)(i)	16,500,000	(16,500,000)	—
	15/6/2009–30/6/2013	0.1335	(2)(A)(ii)	42,900,000	(42,900,000)	—
22/6/2009	22/6/2009–30/6/2013	0.1309	(3)(i)	82,500,000	(82,500,000)	—
15/10/2010	15/10/2010–31/10/2013	0.2764	2(B)(i)	8,250,000	—	8,250,000
	15/10/2010–31/10/2013	0.2764	2(B)(ii)&(3)(ii)	5,500,000	—	5,500,000
1/2/2011	1/2/2011–31/12/2013	0.4318	(3)(i)&(iii)	77,000,000	—	77,000,000
11/10/2012	11/10/2012–31/10/2014	0.0930	(3)(iv)	119,000,000	—	119,000,000
				351,650,000	(141,900,000)	209,750,000
				585,150,000	(174,900,000)	410,250,000

Notes:

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

(2) The options are vested in the following tranches:

(A) Options granted on 15 June 2009

(i) 2 tranches as to (a) 50% exercisable from 15 December 2009 up to 30 June 2013; and (b) 50% exercisable from 15 June 2010 up to 30 June 2013; or

(ii) 3 tranches as to (a) 30% exercisable from 15 June 2010 up to 30 June 2013; (b) 30% exercisable from 15 June 2011 up to 30 June 2013; and (c) 40% exercisable from 15 June 2012 up to 30 June 2013.

(B) Options granted on 15 October 2010

(i) 3 tranches as to (a) 20% exercisable from 15 October 2010 up to 31 October 2013; (b) 30% exercisable from 15 October 2011 up to 31 October 2013; and (c) 50% exercisable from 15 October 2012 up to 31 October 2013; or

(ii) 2 tranches as to (a) 50% exercisable from 1 January 2011 up to 31 October 2013; and (b) 50% exercisable from 1 January 2012 up to 31 October 2013.

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

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

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

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

(iv) the achievement of agreed milestones/performance indicators as determined at the sole discretion of the Board and the options must be exercised within one month from the date on which the Board's approval of the vesting of the options.

(4) The options were lapsed on 30 June 2013 due to expiry of the options.

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

Substantial Shareholders

As at 30 June 2013, so far as is known to the directors and chief executives of the Company, the persons/companies, other than a director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name	Capacity	Number of shares	Shareholding (%)
Hobart Assets Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.48
Cash Guardian (Notes (1) & (2)(i))	Interest in a controlled corporation	1,725,160,589	44.48
CASH (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
Praise Joy Limited (Notes (1) & (2)(i))	Interest in a controlled corporation	1,657,801,069	42.75
CIGL (Notes (1) & (2)(i))	Beneficial owner	1,657,801,069	42.75
Mr Al-Rashid, Abdulrahman Saad ("Mr Al-Rashid") (Note (3))	Interest in a controlled corporation	315,131,640	8.12
Abdulrahman Saad Al-Rashid & Sons Company Limited ("ARTAR") (Note (3))	Beneficial owner	315,131,640	8.12

Notes:

(1) This refers to the same number of 1,725,160,589 shares which were held as to 1,657,801,069 shares by CIGL, a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by CASH (the holding company of the Company)) and as to 67,359,520 shares by Cash Guardian. CASH was owned as to a total of approximately 32.42% by Mr Kwan, being approximately 31.91% by Cash Guardian (a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan) and approximately 0.51% by Mr Kwan in his personal name. Pursuant to the SFO, Mr Kwan and Hobart Assets Limited were deemed to be interested in all the shares held by CIGL through CASH and Cash Guardian. The above interest has already been disclosed as corporate interest of Mr Kwan in the section headed "Directors' interests in securities" above.

(2) (i) Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares (44.02%) were charged under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited ("Wah Sun") ("Share Charges"). Wah Sun was controlled (1) as to 50% by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina; and (2) as to 50% by Hyper Chain Limited (which was wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina).

(ii) In addition, Hampstead Trading Limited and Diamond Leaf Limited held 99,644,160 shares (2.56%) and 7,656,742 shares (0.19%) respectively in the Company. Both companies were wholly controlled by Lam Hok Chung Rainier, Jong Yat Kit and Yu Sai Hung as joint and several administrators of the Estate of Kung, Nina.

Together with the interests of Wah Sun in 1,707,220,589 shares (44.02%) in the Company under the Share Charges as disclosed in (2)(i) above, the Estate of Kung, Nina also known as Nina T.H. Wang was deemed to be interested in a total of 1,814,521,491 shares (46.79%) in the Company pursuant to the SFO.

(3) This refers to the same number of 315,131,640 shares held by ARTAR. ARTAR was a 45% owned controlled corporation of Mr Al-Rashid. Pursuant to the SFO, Mr Al-Rashid was deemed to be interested in the shares held by ARTAR.

Save as disclosed above, as at 30 June 2013, so far as is known to the directors and chief executives of the Company, no other parties (other than a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

Corporate Governance

During the accounting period from 1 January 2013 to 30 June 2013, the Company had duly complied with the code provisions of the Corporate Governance Code ("CG Code") as contained in Appendix 14 of the Listing Rules, except for the deviations summarised as follows:

(i) The Company does not have a nomination committee as provided for in code provision A.5.1 as its function has been performed by the Board as a whole. The Board under the leadership of the Chairman is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Company, and the Board as a whole is also responsible for reviewing the succession plan for the Directors.

(ii) The independent non-executive director of the Company, Mr Lo Ming Chi Charles, was unable to attend the special general meeting of the Company held on 22 January 2013 as provided for in code provision A.6.7 as he was on personal engagement.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2013.

Compliance with the Model Code

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

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2013 have not been reviewed by the auditors of the Company, but have been reviewed by the audit committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P. Kwan
Chairman

Hong Kong, 23 August 2013

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

Executive directors:

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

Independent non-executive directors:

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