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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") 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:

	Notes	**Unaudited Six months ended 30 June 2013 HK$'000**	2012 HK$'000 (restated)
Revenue	(3)	**654,047**	615,119
Other income		**6,359**	2,981
Cost of inventories and services		**(323,397)**	(307,873)
Net gains on investments held for trading		**39,975**	44,385
Salaries, allowances and commission		**(156,753)**	(157,974)
Other operating, administrative and selling expenses		**(224,626)**	(223,315)
Depreciation of property and equipment		**(26,233)**	(32,599)
Amortisation of intangible assets		**(2,878)**	(4,319)
Finance costs		**(9,339)**	(7,593)
Share of results of an associate		**(1,700)**	8,254
Loss before taxation		**(44,545)**	(62,934)
Income tax expense	(5)	**(1,383)**	(1,900)
Loss for the period		**(45,928)**	(64,834)
Other comprehensive income for the period, net of income tax			
Exchange difference on translation of foreign operations		**2,328**	474
Total other comprehensive income for the period		**2,328**	474
Total comprehensive expense for the period		**(43,600)**	(64,360)

	Note	Unaudited Six months ended 30 June **2013** **HK$'000**	2012 HK$'000 (restated)
Loss for the period attributable to:			
Owners of the Company		**(32,732)**	(52,670)
Non-controlling interests		**(13,196)**	(12,164)
		(45,928)	(64,834)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(31,397)**	(52,385)
Non-controlling interests		**(12,203)**	(11,975)
		(43,600)	(64,360)
Loss per share	(6)		
- Basic and diluted (HK cents)		**(9.3)**	(14.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
Non-current assets			
Property and equipment		**69,980**	84,297
Investment properties		**61,132**	68,832
Goodwill		**62,710**	62,710
Intangible assets		**93,722**	96,600
Interest in an associate		**153,698**	152,939
Rental and utilities deposits		**27,064**	34,091
Other assets		**62,823**	37,020
Loan to an associate		**10,296**	10,296
Available-for-sale investments		**21,031**	-
Deferred tax assets		**6,700**	6,700
		569,156	553,485
Current assets			
Inventories – finished goods held for sale		**54,804**	56,847
Accounts receivable	(7)	**574,780**	920,627
Loans receivable		**68,137**	61,496
Prepayments, deposits and other receivables		**100,418**	43,351
Tax recoverable		**3,560**	3,536
Investments held for trading		**64,584**	123,206
Bank deposits subject to conditions		**90,555**	90,555
Bank balances – trust and segregated accounts		**607,253**	782,293
Bank balances (general accounts) and cash		**313,106**	331,891
		1,877,197	2,413,802
Assets classified as held for sale		**-**	66,000
		1,877,197	2,479,802
Current liabilities			
Accounts payable	(8)	**1,066,786**	1,591,375
Deferred revenue		**-**	37
Accrued liabilities and other payables		**101,743**	110,339
Taxation payable		**14,757**	14,046
Obligations under finance leases – amount due within one year		**532**	906
Borrowings – amount due within one year		**430,467**	491,121
Loan from a non-controlling shareholder of a subsidiary		**27,437**	27,437
		1,641,722	2,235,261
Net current assets		**235,475**	244,541
Total assets less current liabilities		**804,631**	798,026

	Note	**30 June 2013 (Unaudited) HK$'000**	31 December 2012 (Audited) HK$'000
Capital and reserves			
Share capital	(10)	**55,415**	36,943
Reserves		**336,332**	332,530
Equity attributable to owners of the Company		**391,747**	369,473
Non-controlling interests		**373,832**	386,035
Total equity		**765,579**	755,508
Non-current liabilities			
Deferred tax liabilities		**15,929**	16,137
Obligations under finance leases – amount due after one year		**-**	50
Borrowings – amount due after one year		**23,123**	26,331
		39,052	42,518
		804,631	798,026

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited
Six months ended 30 June 2013

	Attributable to owners of the Company										
	Share capital HK$'000	**Share premium HK$'000**	**Contributed surplus HK$'000**	**General reserve HK$'000**	**Other reserve HK$'000**	**Translation reserve HK$'000**	**Revaluation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total HK$'000**
At 1 January 2013	**36,943**	**475,872**	**88,926**	**1,160**	**38,860**	**10,913**	**11,164**	**(294,365)**	**369,473**	**386,035**	**755,508**
Loss for the period	-	-	-	-	-	-	-	(32,732)	(32,732)	(13,196)	(45,928)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	1,335	-	-	1,335	993	2,328
Total comprehensive income (expense) for the period	-	-	-	-	-	1,335	-	(32,732)	(31,397)	(12,203)	(43,600)
Issue of new shares	18,472	36,943	-	-	-	-	-	-	55,415	-	55,415
Transaction costs attributable to the issue of new shares	-	(1,744)	-	-	-	-	-	-	(1,744)	-	(1,744)
At 30 June 2013	**55,415**	**511,071**	**88,926**	**1,160**	**38,860**	**12,248**	**11,164**	**(327,097)**	**391,747**	**373,832**	**765,579**

Unaudited
Six months ended 30 June 2012

	Attributable to owners of the Company											
	Share capital HK$'000 (restated)	Share premium HK$'000 (restated)	Contributed surplus HK$'000 (restated)	General reserve HK$'000 (restated)	Other reserve HK$'000 (restated)	Translation reserve HK$'000 (restated)	Share option reserve HK$'000 (restated)	Revaluation reserve HK$'000 (restated)	Accumulated losses HK$'000 (restated)	Total HK$'000 (restated)	Non-controlling interests HK$'000 (restated)	Total HK$'000 (restated)
At 1 January 2012	36,943	475,872	88,926	1,160	35,624	10,421	9,964	11,164	(84,713)	585,361	428,348	1,013,709
Loss for the period	-	-	-	-	-	-	-	-	(52,670)	(52,670)	(12,164)	(64,834)
Other comprehensive income for the period (net of tax)	-	-	-	-	-	285	-	-	-	285	189	474
Total comprehensive income (expense) for the period	-	-	-	-	-	285	-	-	(52,670)	(52,385)	(11,975)	(64,360)
Change in shareholding in subsidiaries without losing control	-	-	-	-	3,236	-	-	-	-	3,236	(5,785)	(2,549)
Dividends paid by CFSG	-	-	-	-	-	-	-	-	-	-	(4,250)	(4,250)
At 30 June 2012	36,943	475,872	88,926	1,160	38,860	10,706	9,964	11,164	(137,383)	536,212	406,338	942,550

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000 (restated)
Net cash used in operating activities	**(34,683)**	(112,800)
Net cash generated from investing activities	**26,515**	1,944
Net cash used in financing activities	**(10,617)**	(7,572)
Net decrease in cash and cash equivalents	**(18,785)**	(118,428)
Cash and cash equivalents at beginning of period	**331,891**	495,188
Cash and cash equivalents at end of period	**313,106**	376,760
Bank balances and cash	**313,106**	376,760

Notes:

(1) Basis of preparation

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

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

	Unaudited Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000 (restated)
Fee and commission income	**105,504**	96,140
Sales of furniture and household goods and electrical appliances, net of discounts and returns	**546,315**	514,103
Online game subscription income and licensing income	**2,228**	4,876
	654,047	615,119

(4) Business and geographical segments

Business segments

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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 retail management business) on 28 June 2013, CRMG has become a directly non-wholly-owned subsidiary of the Group with effect from 28 June 2013.

Specifically, the Group's operating and reportable segments are as follows:

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

Segment revenue and results

For the six months ended 30 June 2013

	Financial services HK$'000	Retailing HK$'000	Online game services HK$'000	Consolidated HK$'000
Reportable segment revenue				
From external customers	**105,504**	**546,315**	**2,228**	**654,047**
Reportable segment (loss) profit	**(25,936)**	**4,270**	**(13,267)**	**(34,933)**
Net gains on investments held for trading				**39,975**
Unallocated corporate expenses				**(38,548)**
Share of results of an associate				**(1,700)**
Finance costs				**(9,339)**
Loss before taxation				**(44,545)**

For the six months ended 30 June 2012

	Financial services HK$'000 (restated)	Retailing HK$'000 (restated)	Online game services HK$'000 (restated)	Consolidated HK$'000 (restated)
Reportable segment revenue				
From external customers	96,140	514,103	4,876	615,119
Reportable segment loss	(25,156)	(1,587)	(24,661)	(51,404)
Net gains on investments held for trading				44,385
Unallocated corporate expenses				(56,576)
Share of results of an associate				8,254
Finance costs				(7,593)
Loss before taxation				(62,934)

Segment result represents the profit before taxation earned or loss incurred by each segment without allocation of net gains on investments held for trading, corporate expenses, share of results of an associate and certain finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Geographical segments

The Group's operations are located in Hong Kong and the People’s Republic of China (“PRC”). No analysis of the Group’s revenue by geographical locations is disclosed because no significant portion of the revenue from external customers are derived outside Hong Kong.

(5) Income tax expense

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. No provision for the PRC income tax has been made as they incurred tax losses for both periods.

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

No deferred tax asset arising from tax losses brought forward has been recognised in the financial statements due to the uncertainty of future profit streams against which the asset can be utilised.

(6) Loss per share

The calculation of the basic and diluted 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	2012
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share	**(32,732)**	(52,670)

	Unaudited Six months ended 30 June	
	2013	2012
	'000	'000
		(restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**351,163**	369,432

The weighted average number of ordinary shares for the calculation of the basic and diluted loss per share of 2012 has been adjusted retrospectively to reflect the impact of share consolidation during the year ended 31 December 2012.

For the period ended 30 June 2013, the computation of diluted loss per share has not taken into account the effects of share options as it would result in decrease in loss per share.

(7) 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
Accounts receivable arising from the business of provision of online game services	**545**	595
	574,780	920,627

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 aged analysis is disclosed as in the opinion of directors of the Company, the aged 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 aged 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

Loans to margin clients are secured by clients' pledged securities which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowing (with client's consent). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

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	-	-	15,955	-
Mr Ng Kung Chit and associates	-	-	7,978	-
Dr Chan Yau Ching Bob and associates	-	-	1,228	7,672
A shareholder with significant influence over the Company (Note (2))				
Cash Guardian Limited	-	20	1,496	2,726
Mr Kwan Pak Hoo Bankee and associates	-	-	5,268	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.

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

(8) 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	**150,784**	166,400
Accounts payable arising from the online game services	**684**	615
	1,066,786	1,591,375

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 aged analysis is disclosed as in the opinion of directors of the Company, the aged 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 aged analysis is disclosed as in the opinion of directors of the Company, the aged 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 aged 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	**53,080**	73,623
31 - 60 days	**52,276**	54,195
61 - 90 days	**27,691**	22,035
Over 90 days	**17,737**	16,547
	150,784	166,400

The accounts payable arising from online game services are aged within 30 days (from trade date).

(9) 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

<u>Fair value interest rate risk</u>

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.

(10) Share capital

	Par value of each ordinary share	**Number of shares**	**Amount**
	HK$	'000	HK$'000
Ordinary shares			
Authorised:			
At 1 January 2013 and 30 June 2013	0.10	3,000,000	300,000
Issued and fully paid:			
At 1 January 2013	0.10	369,432	36,943
Issue of shares due to rights issue (Note)	0.10	184,716	18,472
At 30 June 2013	0.10	554,148	55,415

Note: On 13 June 2013, 184,715,928 shares of HK$0.10 each were issued by way of rights issue at a subscription price of HK$0.30 per share. The gross proceeds of approximately HK$55.4 million were used as general working capital as well as financing potential acquisitions or new investments as and when opportunities arise. These shares rank pari passu in all respects with other shares in issue.

(11) Related party transactions

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

	Notes	Unaudited Six months ended 30 June **2013** **HK$'000**	2012 HK$'000
Commission and interest income received from the following major shareholders of the Company with significant influences over the Company			
Cash Guardian Limited	(a)	**12**	-
Mr Kwan Pak Hoo Bankee and associates	(b)	**10**	-
		22	-
Commission and interest income received from the following directors of the Company	(c)		
Mr Law Ping Wah Bernard and associates	(b)	**27**	5
Mr Ng Kung Chit Raymond and associates		**8**	2
Dr Chan Yau Ching Bob and associates		**12**	6
		47	13
Underwriting fee, financial advisory fee, commission and interest expenses paid to CASH Financial Services Group Limited ("CFSG")	(d)	**1,151**	328
Rental and building management fee income received from CFSG	(d)	**2,029**	2,070

Notes:

(a) Cash Guardian Limited has significant influence over the Company. 31.91% (2012: 31.91%) equity interest of the Company was held by Cash Guardian Limited at 30 June 2013. Cash Guardian Limited is controlled by Mr Kwan Pak Hoo Bankee, an executive director of the Company.

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

(c) During the six months ended 30 June 2013, the Group received commission and interest from margin financing of approximately HK$47,000 (2012: HK$13,000) from certain directors of the Company.

(d) During the six months ended 30 June 2013, the Group paid underwriting fee, financial advisory fee, commission and interest expenses to CFSG of approximately HK$1,151,000 (2012: HK$328,000) and received rental and building management fee income from CFSG of approximately HK$2,029,000 (2012: HK$2,070,000).

(12) 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.

(13) 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 PROSPECTS

Financial Review

On 15 May 2013, CFSG 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 "Retail Management Business") has become a directly non-wholly-owned subsidiary of the Group with effect from 28 June 2013.

For the six months ended 30 June 2013, the Group recorded revenue of HK$654.0 million as compared to HK$615.1 million (as restated) for the same period last year. The increase in revenue by 6.3% was partly due to (i) the improvement in financial services income because of the general improvement in investment sentiment in Hong Kong stock market; and (ii) satisfactory performance of household and furniture sales driven by successful launch of innovative products and services during the period under review. However, facing the rising input costs, tough operating environment and keen competition, the Group reported a net loss for the period attributable to the owners of the Company of HK$32.7 million as compared to a net loss of HK$52.7 million (as restated) 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, FSG 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. For the six months ended 30 June 2013, FSG recorded a net loss of HK$25.9 million as compared to a net loss of HK$25.2 million in the same corresponding period last year.

RETAIL MANAGEMENT BUSINESS

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, we 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.

MOBILE INTERNET SERVICES BUSINESS

In view of the keen competition and unstable global economic situation, the Group had treaded carefully in adjusting the pace of our business expansion and carried out a thorough organisational and operational reengineering in order to preserve our financial resources to get through the current difficult time. During the period under review, the Group continued to implement stringent cost control measures over its operations and adhere to a prudent strategy for its online game business. In the meantime, we will put its best effort to explore ways to align its Mobile Internet Services Business and new initiatives of business development will be in place to enhance its competitiveness. Overall, for the six months ended 30 June 2013, the Group's Mobile Internet Services business recorded revenue of HK$2.2 million and a net loss of HK$13.3 million as compared to revenue of HK$4.9 million and a net loss of HK$24.7 million of last corresponding period.

Liquidity and Financial Resources

The Group's total equity amounted to HK$765.6 million as at 30 June 2013 as compared to HK$755.5 million at the end of last year. The slight increase in equity was the combined results of the loss reported for the period and the share capital raised by way of rights issue during the period.

As at 30 June 2013, the Group had total outstanding borrowings of approximately HK$454.1 million, comprising of unsecured loans of approximately of HK$29.5 million payable to certain independent third parties and secured loans of approximately of HK$424.6 million (including bank loans of approximately HK$384.1 million, a secured loan of approximately HK$40.0 million payable to an independent third party and obligations under finance leases of approximately HK$0.5 million). The above bank loans of approximately HK$384.1 million were secured by the Group's listed securities, investment properties of carrying amounts of approximately HK$61.1 million, pledged deposits of HK$90.6 million, corporate guarantees and its margin clients' securities pledged to it. The above secured loan of approximately HK$40.0 million payable to an independent third party was secured by the shares of Celestial Investment Group Limited (a wholly-owned subsidiary of the Company). The total borrowings as at 31 December 2012 were approximately HK$518.4 million. The decrease in borrowings was mainly due to the decrease in margin financing to our clients as the investment activities had been reducing in the last two months of the period under review.

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.

As at 30 June 2013, our cash and bank balances totalled HK$1,011.0 million as compared to HK$1,204.7 million at the end of the previous year. The decrease in the cash and bank balances was mainly due to the reduction of our clients' monies amid the recent poor investment market sentiment in the last two months of the first half of this year. The liquidity ratio as at 30 June 2013 remained healthy at 1.1 times, being the same level as at 31 December 2012.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 59.3% as at 30 June 2013, as compared to 68.6% as at 31 December 2012, which was kept at a conservatively low level.

Saved as aforesaid, the Group had 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 mismatch.

Material Acquisitions and Disposals

On 3 December 2012, a subsidiary of CFSG 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 CFSG dated 3 December 2012.

On 7 December 2012, a subsidiary of the Company entered into an agreement relating to a major transaction for disposal of a residential property in Hong Kong at a consideration of HK$66,000,000 in cash. The disposal was approved by shareholders of the Company at a special general meeting held on 22 January 2013 and was completed on 6 February 2013. Details of the transaction are disclosed in the Company's announcement dated 7 December 2012 and the circular dated 2 January 2013.

On 15 May 2013, the Company and CFSG issued a joint announcement in relation to the distribution in specie by CFSG of all the shares in CRMG (the holding company of the Retail Management Business) and the voluntary conditional cash offer by the Group to acquire all the issued shares in CRMG at an offer price of HK$0.011 ("Privateco Offer"). The distribution in specie and the Privateco Offer were approved by the shareholders of CFSG and the Company at their respective special general meetings held on 21 June and 18 June 2013. The distribution in specie was completed on 28 June 2013. Since then, CRMG ceased as a subsidiary of CFSG and become a 42.75% directly-owned subsidiary of the Company. The Privateco Offer was closed on 31 July 2013 and the Group has acquired a total of 48.19% equity interest in CRMG under the Privateco Offer. The Group was interested in a total of 90.94% equity interest in CRMG immediately after the Privateco Offer. Details of the transactions are disclosed in the various announcements and circulars issued by CFSG and/or the Company from May to July 2013.

Save as aforesaid, the Group did not make any material acquisition and disposal 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 commitments are also disclosed in note (12) above.

Save as aforesaid, he Group did not have any material capital commitment 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$64.6 million. The net gain derived from investments held for trading of HK$40.0 million was recorded for the period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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, 生活經艷 has gradually built up its brand awareness and business momentum, In addition to two stores in Guangzhou, 生活經艷 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.

Mobile Internet Business

Industry Review

The mobile internet gaming market still experienced notable growth in the past few quarters. However, the industry is expected to enter a period of consolidation. The distribution channel of mobile games is becoming highly fragmented in China as a result of the proliferation of low-cost Android devices and hence independent app stores. In addition, mobile games generally have a shorter life span and lower monetisation features comparing to traditional PC games. The operating performances tend to decline at a faster rate after reaching a peak of popularity and player usage. Over time, the acquisition and retention-related programmes became less effective and more costly, negatively impacting the promotion and operating results of mobile games.

Business Review and Outlook

During the period under review, the Group continued to launch patch updates of "King of Pirates" for our overseas license partners. Looking ahead, we will continue to leverage on our research and development capabilities and our long-term understanding of players' attributes to maximise the monetisation of our game content and enhance the game play features. In spite of the challenging market environment, we will continue to solicit licensing opportunities and local co-development partnership of mobile game titles.

EMPLOYEE INFORMATION

At 30 June 2013, the Group had 1,231 employees, of which 256 were at the CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$128.4 million.

Benefits

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

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, team building, communication, languages, presentation, coaching, quality management and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the Securities and Futures Ordinance ("SFO"), to attend the requisite training courses to fulfill/comply with the continuous professional training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, quality management measures and rules and regulations. This orientation aims to prepare the new employees for the positions by establishing a sense of belongingness and cooperation; by supplying necessary information that resolves an employee's concerns; and by removing any potential barriers for job effectiveness and continuous learning.

DIRECTORS' INTERESTS IN SECURITIES

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

A. The Company

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

Name	Capacity	Number of shares			Shareholding
		Personal	Family interest	Corporate interest	(%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	2,840,000	-	176,805,205*	32.42
Law Ping Wah Bernard	Beneficial owner	18,230,208	-	-	3.29
Ng Kung Chit Raymond	Beneficial owner and family interest	539,940	51,840	-	0.11
Chan Yau Ching Bob	Beneficial owner	90,000	-	-	0.01
		21,700,148	51,840	176,805,205	35.83

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

(b) Long positions in the underlying shares

Options under share option schemes

Name	Date of grant	Option period	Exercise price per share (Note (2)) (HK$)	Notes	Number of options: outstanding as at 1 January 2013	adjusted during the period (Note (2))	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
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
Ng Kung Chit Raymond	11/10/2012	11/10/2012 – 31/10/2014	0.624	(3)	2,000,000	250,000	2,250,000	0.41
Chan Yau Ching Bob	11/10/2012	11/10/2012 – 31/10/2014	0.624	(3)	3,600,000	450,000	4,050,000	0.73
					12,800,000	1,600,000	14,400,000	2.60

Notes:

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

(2) The exercise price and the number of share options have been adjusted due to 2-for-1 rights issue of the Company 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 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 the Company in the capacity of beneficial owners.

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

B. Associated corporations (within the meaning of SFO)

(i) CFSG

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

		Number of shares			
Name	Capacity	Personal	Family interest	Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	-	-	1,725,160,589*	44.48
Law Ping Wah Bernard	Beneficial owner	27,506,160	-	-	0.70
Ng Kung Chit Raymond	Beneficial owner and family interest	5,577,000	99,000	-	0.14
Chan Yau Ching Bob	Family interest	-	180,000	-	0.00
		33,083,160	279,000	1,725,160,589	45.32

* The shares were held as to 1,657,801,069 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 67,359,520 shares by Cash Guardian. The Company was beneficially owned as to approximately 32.42% by Mr Kwan and Cash Guardian was 100% beneficially owned by Mr Kwan, details of which were disclosed in the "Substantial Shareholders" below. Pursuant to the SFO, Mr Kwan was deemed to be interested in all the shares held by CIGL and Cash Guardian in CFSG.

Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares (44.02%) were charged under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited ("Share Charges"). Wah Sun Finance Limited 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).

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 CFSG. 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 Finance Limited in 1,707,220,589 shares (44.02%) in CFSG under the Share Charges as disclosed above, the Estate of Kung, Nina also known as Nina T.H. Wang was deemed to be interested in a total of 1,814,521,491 shares (46.79%) in CFSG pursuant to the SFO.

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

Name	Date of grant	Option period	Exercise price per share (HK$)	Notes	Number of options outstanding as at 1 January 2013	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	0.093	(1) & (2)	39,000,000	39,000,000	1.01
Law Ping Wah Bernard	11/10/2012	11/10/2012 - 31/10/2014	0.093	(2)	39,000,000	39,000,000	1.01
Ng Kung Chit Raymond	11/10/2012	11/10/2012 - 31/10/2014	0.093	(2)	20,000,000	20,000,000	0.52
Chan Yau Ching Bob	11/10/2012	11/10/2012 - 31/10/2014	0.093	(2)	39,000,000	39,000,000	1.01
					137,000,000	137,000,000	3.55

Notes:

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

(2) The vesting of the options is subject to 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.

(ii) CRMG

Long positions in the ordinary shares of HK$0.001 each

Name	Capacity	Number of shares			
		Personal	Family interest	Corporate interest	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	-	-	1,725,160,589*	44.48
Law Ping Wah Bernard	Beneficial owner	27,506,160	-	-	0.71
Ng Kung Chit Raymond	Beneficial owner and family interest	5,577,000	99,000	-	0.14
Chan Yau Ching Bob	Family interest	-	180,000	-	0.00
		33,083,160	279,000	1,725,160,589	45.32

* 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 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 the Company, 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 the Company and Cash Guardian pursuant to the SFO.

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

SHARE OPTION SCHEMES

The Company

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

Date of grant	Option period	Exercise price per share (Note (4)) (HK$)	Notes	Number of options outstanding as at 1 January 2013	adjusted during the period (Note (4))	outstanding as at 30 June 2013
Directors						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(1)&(2)	12,800,000	1,600,000	14,400,000
Employees						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(2)	8,000,000	1,000,000	9,000,000
Consultants						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(3)	9,000,000	1,116,000	10,116,000
				29,800,000	3,716,000	33,516,000

Notes:

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

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

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

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

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

The subsidiaries

(i) CFSG

Details of share options to subscribe for shares in CFSG granted to participants under the share option scheme of CFSG 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						
11/10/2012	11/10/2012 - 31/10/2014	0.0930	(1)&(3)(iv)	137,000,000	-	137,000,000
Employees and consultants						
15/6/2009	15/6/2009 - 30/6/2013	0.1335	(2)(A)(i)	49,500,000	(49,500,000)	-
	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)	13,750,000	-	13,750,000
	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)	177,000,000	-	177,000,000
				448,150,000	(174,900,000)	273,250,000
				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.

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

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company 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 (Note (1))	Interest in a controlled corporation	176,805,205	31.91
Cash Guardian (Note (1))	Interest in a controlled corporation	176,805,205	31.91

Notes:

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

(2) Mr Kwan (a director whose interests are not shown in the above table) was interested and/or deemed be interested in a total of 179,645,205 shares (32.42%), which were held as to 176,805,205 shares by Cash Guardian and as to 2,840,000 shares in his personal name. Detail of his interest is set out in the section "Directors' interests in securities" above.

Save as disclosed above, as at 30 June 2013, so far as is known to the directors and chief executive of the Company, no other parties (other than a director or chief executive of the Company) who had interests or short positions in the shares and underlying shares of the Company 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 set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules, except for the deviations summarised as follows:

Mr Kwan (Chairman of the Board) also acted as chief executive officer ("CEO") of the Company during the underlying period. According to code provision A.2.1, the roles of Chairman and CEO of the Company should be separate. The dual role of Mr Kwan provides a strong and consistent leadership to the Board and is critical for efficient business planning and decisions of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals.

The Company does not have a nomination committee as provided for in code provision A.5 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.

According to code provision A.6.7, independent non-executive directors should attend general meeting of the Company in order to develop a balanced understanding of the view of shareholders. Due to other business engagement of the independent non-executive directors of the Company, Mr Leung Ka Kui Johnny and Dr Chan Hak Sin were unable to attend the 2013 annual general meeting and one special general meeting, and Mr Wong Chuk Yan was unable to attend one special general meeting of the Company held during the review period.

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

DISCLOSURE UNDER RULE 13.21 OF THE LISTING RULES

On 14 July 2011, Praise Joy Limited (a wholly-owned subsidiary of the Company) as borrower and Wah Sun Finance Limited as lender entered into a facility agreement relating to a revolving loan facility of HK$80,000,000. The loan facility commenced from the date of the facility agreement to and including 30 June 2013. On 28 June 2013, an amendment deed was entered into among, inter alias, Praise Joy Limited and the lender relating to the extension of the loan facility for one month to 31 July 2013. The outstanding balance of loan facility was approximately HK$40,000,000 as at 30 June 2013.

Pursuant to the terms of the facility agreement, the Company and Mr Kwan (the Chairman and indirect substantial Shareholder) undertook, inter alia, that:-

(1) Save with written consent of the lender, Mr Kwan shall remain as the only major shareholder in the Company and shall (directly or indirectly) legally and beneficially own not less than 30% of the issued share capital of the Company; and

(2) Mr Kwan exerts de facto control over the management and affairs of the Company and remains as executive chairman of the Company.

If an event of default under the facility agreement and the amendment deed occurs, the lender may cancel the loan facility and/or all outstanding amounts together with interest accrued thereon and all other sums payable by the Company under the facility agreement to be immediately due and payable.

Subsequent to the review period on 31 July 2013, the loan facility together with all interests accrued thereon has been fully repaid, the security for the loan facility has been released and the specific performance obligations on the controlling shareholder of the Company have been duly satisfied.

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 our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 23 August 2013

As at the date hereof, the directors of the Company are:-

Executive directors:

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

Independent non-executive directors:

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