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CELESTIAL ASIA SECURITIES HOLDINGS LIMITED
時富投資集團有限公司*
(Incorporated in Bermuda with limited liability)
 (Stock code: 1049)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER 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 2014, together with the comparative figures for the last corresponding period, are as follows:

	Notes	Unaudited	
		Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
Revenue	(3)	637,348	654,047
Other income		7,451	6,359
Cost of inventories and services		(315,399)	(323,397)
Net gains on investments held for trading		30,108	39,975
Salaries, allowances and commission		(146,995)	(156,753)
Other operating, administrative and selling expenses		(212,421)	(224,626)
Depreciation of property and equipment		(15,577)	(26,233)
Amortisation of intangible assets		-	(2,878)
Finance costs		(11,771)	(9,339)
Fair value change on investment properties		34,974	-
Gain of disposal of property		18,002	-
Share of results of an associate		60,463	(1,700)
Profit (loss) before taxation		86,183	(44,545)
Income tax expense	(5)	(10,604)	(1,383)
Profit (loss) for the period		75,579	(45,928)
Other comprehensive (expense) income for the period, net of income tax			
Exchange difference on translation of foreign operations		(1,496)	2,328
Total other comprehensive (expense) income for the period		(1,496)	2,328
Total comprehensive income (expense) for the period		74,083	(43,600)

		Unaudited	
		Six months ended 30 June	
		2014	2013
Note		HK\$'000	HK\$'000
Profit (loss) for the period attributable to:			
	Owners of the Company	19,786	(32,732)
	Non-controlling interests	55,793	(13,196)
		75,579	(45,928)
Total comprehensive income (expense) for the period attributable to:			
	Owners of the Company	19,680	(31,397)
	Non-controlling interests	54,403	(12,203)
		74,083	(43,600)
Profit (loss) per share			
	- Basic and diluted (HK cents)	3.6	(9.3)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Non-current assets			
Property and equipment		71,934	60,600
Investment properties	(7)	211,552	57,112
Goodwill		62,710	62,710
Intangible assets		53,212	53,212
Interest in an associate		1,434	158,154
Available-for-sale financial assets		24,531	24,531
Rental and utilities deposits		51,184	40,638
Other assets		10,314	34,052
Loans receivable		-	1,480
Deferred tax assets		6,206	7,200
		493,077	499,689
Current assets			
Inventories – finished goods held for sale		52,859	53,242
Accounts receivable	(8)	742,439	608,696
Loans receivable		40,820	23,951
Loan to an associate		-	10,296
Other assets		1,500	29,084
Prepayments, deposits and other receivables		30,390	70,973
Tax recoverable		2,783	6,400
Investments held for trading		97,340	55,027
Bank deposits subject to conditions		90,555	90,555
Bank balances – trust and segregated accounts		790,129	784,704
Bank balances (general accounts) and cash		284,620	279,450
		2,133,435	2,012,378
Current liabilities			
Accounts payable	(9)	1,160,879	1,197,530
Financial liabilities at fair value through profit or loss		23,701	19,701
Accrued liabilities and other payables		111,593	128,210
Taxation payable		10,442	7,410
Obligations under finance leases – amount due within one year		-	54
Borrowings – amount due within one year		526,346	436,116
Loan from a non-controlling shareholder of a subsidiary		-	27,437
		1,832,961	1,816,458
Net current assets		300,474	195,920
Total assets less current liabilities		793,551	695,609

	Note	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Capital and reserves			
Share capital	(11)	55,415	55,415
Reserves		321,523	301,843
		<hr/>	<hr/>
Equity attributable to owners of the Company		376,938	357,258
Non-controlling interests		310,647	307,558
		<hr/>	<hr/>
Total equity		687,585	664,816
Non-current liabilities			
Deferred tax liabilities		15,259	8,218
Borrowings – amount due after one year		90,707	22,575
		<hr/>	<hr/>
		105,966	30,793
		<hr/>	<hr/>
		793,551	695,609
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited										
	Six months ended 30 June 2014										
	Attributable to owners of the Company										Non-controlling interests
	Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Translation reserve	Revaluation reserve	Accumulated losses	Total		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	55,415	510,677	88,926	1,160	55,339	13,437	11,164	(378,860)	357,258	307,558	664,816
Profit for the period	-	-	-	-	-	-	-	19,786	19,786	55,793	75,579
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(106)	-	-	(106)	(1,390)	(1,496)
Total comprehensive expense for the period	-	-	-	-	-	(106)	-	-	(106)	(1,390)	(1,496)
Realised upon distributions from an associate	-	-	-	-	-	(12,147)	-	12,147	-	-	-
Distribution of non-controlling interests of CASH Financial Services Group Limited ("CFSG")	-	-	-	-	-	-	-	-	-	(51,314)	(51,314)
At 30 June 2014	55,415	510,677	88,926	1,160	55,339	1,184	11,164	(346,927)	376,938	310,647	687,585

	Unaudited										
	Six months ended 30 June 2013										
	Attributable to owners of the Company										Non-controlling interests
	Share capital	Share premium	Contributed surplus	General reserve	Other reserve	Translation reserve	Revaluation reserve	Accumulated losses	Total		Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Net cash used in operating activities	(164,006)	(34,683)
Net cash generated from investing activities	33,434	26,515
Net cash generated from (used in) financing activities	135,742	(10,617)
Net increase (decrease) in cash and cash equivalents	5,170	(18,785)
Cash and cash equivalents at beginning of period	279,450	331,891
Cash and cash equivalents at end of period	284,620	313,106
Bank balances and cash	284,620	313,106

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 2014, 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 2013.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

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 unaudited condensed consolidated financial statements.

(3) Revenue

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fee and commission income	86,535	105,504
Sales of furniture and household goods and electrical appliances, net of discounts and returns	549,958	546,315
Online game subscription income and licensing income	855	2,228
	637,348	654,047

(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.

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 2014

	Financial services HK\$'000	Retailing HK\$'000	Online game services HK\$'000	Consolidated HK\$'000
Reportable segment revenue				
From external customers	<u>86,535</u>	<u>549,958</u>	<u>855</u>	<u>637,348</u>
Reportable segment loss	<u>(21,897)</u>	<u>(1,002)</u>	<u>(725)</u>	<u>(23,624)</u>
Net gains on investments held for trading				30,108
Unallocated corporate expenses				(21,969)
Share of results of an associate				60,463
Fair value change on investment properties				34,974
Gain of disposal of property				18,002
Finance costs				<u>(11,771)</u>
Profit before taxation				<u>86,183</u>

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	<u>105,504</u>	<u>546,315</u>	<u>2,228</u>	<u>654,047</u>
Reportable segment (loss) profit	<u>(25,936)</u>	<u>4,270</u>	<u>(13,267)</u>	<u>(34,933)</u>
Net gains on investments held for trading				39,975
Unallocated corporate expenses				(38,548)
Share of results of an associate				(1,700)
Finance costs				<u>(9,339)</u>
Loss before taxation				<u>(44,545)</u>

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.

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) Profit (loss) per share

The calculation of the basic and diluted profit (loss) per share attributable to the owners of the Company for the six months ended 30 June 2014 together with the comparative figures for the prior period are based on the following data:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Profit (loss) for the purpose of basic and diluted profit (loss) per share	19,786	(32,732)

	Unaudited	
	Six months ended 30 June	
	2014	2013
	'000	'000

Number of shares

Weighted average number of ordinary shares for the purpose of basic profit (loss) per share	554,148	351,163
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For the period ended 30 June 2014, the computation of diluted profit (loss) per share has not taken into account the effects of share options as it would result in profit (loss) per share.

(7) Investment properties

During the period, the Group capitalised approximately HK\$119,931,000 (2013: nil) on the completion of the acquisitions of investment properties.

The total fair value of the Group's investment properties as at 30 June 2014 and 31 December 2013 has been arrived at on the basis of a valuation carried out on the respective dates by CS Surveyors Limited and Peak Vision Appraisals Limited (2013: Peak Vision Appraisals Limited) respectively, both are independent qualified professional valuers not connected to the Group who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

(8) Accounts receivable

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Accounts receivable arising from the business of dealing in securities:		
Clearing houses, brokers and dealers	75,698	74,475
Cash clients	45,304	67,236
Margin clients	271,604	284,616
Client who subscription to IPO	126,969	-
Accounts receivable arising from the business of dealing in futures and options:		
Clients	86	139
Clearing houses, brokers and dealers	220,316	180,041
Commission receivable from brokerage of mutual funds and insurance-linked investment products	825	1,777
Accounts receivable arising from the business of provision of corporate finance services	1,391	40
Accounts receivable arising from the business of provision of online game services	246	372
	742,439	608,696

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.

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.

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.

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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
0 - 30 days	803	1,440
31 - 60 days	1,000	-
61 - 90 days	-	-
Over 90 days	413	377
	2,216	1,817

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 2014 HK\$'000	Balance at 30 June 2014 HK\$'000	Maximum amount outstanding during the period HK\$'000	Market value of pledged securities at fair value at 30 June 2014 HK\$'000
Directors of the Company				
Mr Law Ping Wah Bernard and associates (Note (c))	-	-	4,091	-
Mr Ng Hin Sing Derek and associates (Note (d))	-	-	955	-
Dr Chan Yau Ching Bob and associates (Note (e))	-	-	5,850	8,149
Directors of CFSG				
Ms Cheng Pui Lai Majone and associates	-	-	16,773	228
Mr Ng Kung Chit Raymond and associates (Note (f))	-	-	6,110	-
Mr Cheng Man Pan Ben and associates (Note (g))	441	217	2,340	750
A shareholder with significant influence over the Company (Note (b))				
Cash Guardian Limited	-	347	758	10,447
Mr Kwan Pak Hoo Bankee and associates	-	241	2,101	1,770

Notes:

- (a) Associates are defined in accordance with the Listing Rules.
- (b) Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, who is the director of the Company and CFSG.
- (c) Mr Law Ping Wah Bernard is also the executive director of CFSG.
- (d) Mr Ng Hin Sing Derek was appointed as director of the Company on 5 August 2013.
- (e) Dr Chan Yau Ching Bob resigned as director of the Company on 5 August 2013.
- (f) Mr Ng Kung Chit Raymond resigned as director of the Company on 7 October 2013, and was appointed as director of CFSG on 1 May 2014.
- (g) Mr Cheng Man Pan Ben resigned as director of CFSG on 31 December 2013.

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

(9) Accounts payable

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Accounts payable arising from the business of dealing in securities:		
Clearing houses	8,682	1,430
Cash clients	530,489	592,920
Margin clients	151,047	147,660
Accounts payable to clients arising from the business of dealing in futures and options	318,874	290,378
Trade creditors arising from retailing business	151,207	164,588
Accounts payable arising from the online game services	580	554
	1,160,879	1,197,530

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.

At 30 June 2014, the accounts payable amounting to HK\$790,129,000 (31 December 2013: HK\$784,704,000) 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 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
0 - 30 days	91,384	71,915
31 - 60 days	25,307	50,923
61 - 90 days	14,347	33,327
Over 90 days	20,169	8,423
	151,207	164,588

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

(10) 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 borrowings and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses 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 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 accounts receivable and payable, deposits and other receivables, investments in equity and debt securities and investment funds, bank balances and deposits, loan to an associate, loan receivable, loan from a non-controlling shareholder of a subsidiary, accrued liabilities and other payable and borrowings. 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 States dollars ("USD") and Renminbi ("RMB"). The management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise. 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.

(11) Share capital

	Par value of each ordinary share HK\$	Number of shares '000	Amount HK\$'000
Ordinary shares			
Authorised:			
At 1 January 2014 and 30 June 2014	0.10	3,000,000	300,000
Issued and fully paid:			
At 1 January 2014 and 30 June 2014	0.10	554,148	55,415

(12) Related party transactions

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

		Unaudited Six months ended 30 June	
	Notes	2014 HK\$'000	2013 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)	10	12
Mr Kwan Pak Hoo Bankee and associates	(a)	16	10
		26	22
Commission and interest income received from the following directors of the Company	(c)		
Mr Law Ping Wah Bernard and associates	(b)	4	18
Mr Ng Hin Sing Derek and associates	(d)	-	-
Dr Chan Yau Ching Bob and associates	(e)	15	12
		19	30
Commission and interest income received from the following directors of CFSG			
Ms Cheng Pui Lai Majone and associates		12	4
Mr Ng Kung Chit Raymond and associates	(f)	6	8
Mr Chan Chi Ming Benson and associates	(g)	3	-
Mr Cheng Man Pan Ben and associates	(g)	74	26
		95	38
Underwriting fee and financial advisory fee paid to CFSG	(h)	-	1,113
Commission and interest expenses paid to CFSG	(h)	5	38
Interest income received from CFSG	(i)	811	-
Rental and building management fee income received from CFSG	(i)	-	2,029

Notes:

- (a) Cash Guardian Limited has significant influence over the Company. Cash Guardian Limited is solely owned and controlled by Mr Kwan Pak Hoo Bankee, an executive director of the Company and CFSG.
- (b) Mr Law Ping Wah Bernard is also the executive director of CFSG.
- (c) During the six months ended 30 June 2014, the Group received commission and interest from margin financing of approximately HK\$19,000 (2013: HK\$30,000) from certain directors of the Company.
- (d) Mr Ng Hin Sing Derek was appointed as director of the Company on 5 August 2013.
- (e) Dr Chan Yau Ching Bob resigned as director of the Company on 5 August 2013.
- (f) Mr Ng Kung Chit Raymond resigned as director of the Company on 7 October 2013, and was appointed as director of CFSG on 1 May 2014.
- (g) Mr Chan Chi Ming Benson and Mr Cheng Man Pan Ben resigned as directors of CFSG on 1 May 2014 and 31 December 2013 respectively.
- (h) During the six months ended 30 June 2014, the Group paid underwriting fee and financial advisory fee to CFSG of nil (2013: HK\$1,113,000) and commission and interest expenses to CFSG of approximately HK\$5,000 (2013: HK\$38,000).
- (i) During the six months ended 30 June 2014, the Group received interest income from CFSG of approximately HK\$811,000 (2013: nil) and rental and building management fee income from CFSG of nil (2013: HK\$2,029,000).

(13) Capital Commitments

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of property and equipment	-	184,069

(14) Interim dividend

No interim dividend in respect of the six months ended 30 June 2014 and 30 June 2013 was declared by the Board.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2014 (2013: nil).

REVIEW AND PROSPECTS

Financial Review

Financial Performance

For the six months ended 30 June 2014, the Group recorded revenue of HK\$637.3 million as compared to HK\$654.0 million for the same period last year.

During the period, the Group recorded a gain on disposal of an investment property in Hong Kong of approximately HK\$18.0 million. In addition, there was an increase in fair value on its investment properties amounting to HK\$35.0 million. Besides, during the period, the Group's associate recorded a gain on the disposal of its entire registered shares of its subsidiary which owned and managed an investment property in the PRC. As a result, during the period, the Group recorded a share of profit of an associate of HK\$60.5 million as compared to share of loss of an associate of HK\$1.7 million for the same period last year.

Overall, the Group reported a turnaround net profit for the period of HK\$75.6 million as compared to the net loss of HK\$45.9 million for the same period last year.

FINANCIAL SERVICES BUSINESS - FSG

For the six months ended 30 June 2014, FSG recorded revenue of HK\$86.5 million, representing a decrease of 18.0% as compared with HK\$105.5 million for the same period last year.

During the period under review, the Hong Kong stock market experienced a fluctuation in market sentiment. Worries about the global economic effects on the tapering of quantitative easing by the US Federal Reserve, a slump in property prices and disorderly deleveraging in local government debts leading to unexpected decelerations in industrial-output and economic growth in China and the political tension in Ukraine were prevailing and affected the overall investment sentiment. For the six months ended 30 June 2014, the average daily turnover was approximately HK\$62.9 billion, representing a decrease of 7.8% when compared with HK\$68.3 billion for the same period last year. With the Hong Kong-Mainland Stock Connect Scheme scheduled to be launched later this year together with the recent upbeat economic conditions in China upon the Central Government's efforts to counter the economic slowdown, the board remained cautiously optimistic about the economic outlook in the medium to longer term. In spite of a mild improvement in the local investment sentiment, FSG is still facing a very tough business environment in the financial services industry. We will continue to maintain stringent cost controls over its operations. At the same time, we have dedicated our resources in building the most advanced information and communication technology infrastructure and low-latency trading platform and recruited professionals to research and develop trading strategies for our algorithmic trading business for our institutional, corporate and individual investors for their versatile investment and wealth management needs.

As a result of the above, FSG recorded a net segment loss before taxation of HK\$21.9 million for the six months ended 30 June 2014 as compared to a net segment loss of HK\$25.9 million for the same period last year.

RETAIL MANAGEMENT BUSINESS - CRMG

During the period, the general consumption appetite after Chinese Lunar New Year was lacklustre. There was a general expectation that the tapering of quantitative easing by the US Federal Reserve and the gradual improvement of the US economy would trigger the end of the period of low interest. Concerns about increase in interest rate, rising mortgage debt burdens and adverse wealth effect from falling equity and property prices make the consumers more cautious and affect their spending appetite. As such, domestic demand has taken a beating since the beginning of the year and retail sales have borne the brunt of the recent economic slowdown. Furthermore, various measures of the Hong Kong government to dampen the housing demand and to curb the sky-rocketing property prices had hit the property market hard and severely affected the consumption of our furniture and home products.

Despite the challenging business environment, our retailing business in Hong Kong achieved a mild growth and reported revenue of HK\$546.6 million for the period ended 30 June 2014 as compared with HK\$542.0 million for the same period last year. We managed to maintain our revenue level by dedicating our resources to high growth business sectors while at the same time pursuing stringent cost controls over our operations. During the period, we continued to implement our “Living Smart” strategic plan by offering our customer various unique smart solutions. We expanded our Tailor Made Furniture (TMF) service by setting up TMF centres in our store networks. TMF service has achieved an encouraging performance and reported a strong revenue growth of over 130% as compared with the same corresponding period last year. Overall, our Hong Kong retailing business recorded a net profit before taxation of HK\$6.6 million as compared to a net profit before taxation of HK\$11.5 million for the same period last year.

In order to devote more resources to high growth business sectors, we had determined to close down all our retailing business in the PRC. As a result, our retailing business in the PRC reported an operating loss before taxation of HK\$7.6 million as compared to a net loss before taxation of HK\$7.2 million in the same corresponding period last year.

Overall, CRMG recorded revenue of HK\$550.0 million and a net segment loss before taxation of HK\$1.0 million for the six months ended 30 June 2014 as compared to revenue of HK\$546.3 million and a net segment profit before taxation of HK\$4.3 million for the same period last year.

MOBILE INTERNET SERVICES BUSINESS – Net2Gather

Despite a persistent strong growth in the mobile internet gaming market, market competition has become more intense than before with many small to medium-sized developers entering the market, flushing the market with numerous game titles. In view of the keen competition, the Group had taken proactive role in looking for the blue ocean of the market. The Group will continue to implement stringent cost control measures over its operations and adhere to a prudent strategy for its online game business. In the meantime, the Group will dedicate its best effort to explore new business initiatives in mobile internet industry other than the gaming sector. The Group will also continue to solicit partnerships and investment opportunities in other fast-growing e-Commerce business models of the mobile internet market

Overall, for the six months ended 30 June 2014, the Group’s Mobile Internet Services business recorded revenue of HK\$0.9 million and a net segment loss before taxation of HK\$0.7 million as compared to revenue of HK\$2.2 million and a net segment loss before taxation of HK\$13.3 million for the same period last year.

Liquidity and Financial Resources

The Group's total equity amounted to HK\$687.6 million as at 30 June 2014 as compared to HK\$664.8 million at the end of last year. The slight increase in equity was due to the profit reported for the period

As at 30 June 2014, the Group had total outstanding borrowings of approximately HK\$617.1 million, comprising of unsecured loans of approximately of HK\$1.6 million payable to certain independent third parties and secured loans of approximately of HK\$615.5 million. The above bank loans of approximately HK\$615.5 million were secured by the Group's investment properties of carrying amounts of approximately HK\$211.6 million, pledged deposits of HK\$90.6 million, corporate guarantees and its margin clients' securities pledged to it. The total borrowings as at 31 December 2013 were approximately HK\$458.7 million. The increase in borrowings was mainly due to short term bank loans for financing clients of IPO subscriptions ("IPO bank loans") and a new mortgage loan of HK\$56.5 million for the acquisition of an investment property.

As at 30 June 2014, our cash and bank balances totalled HK\$1,165.3 million as compared to HK\$1,154.7 million at the end of the previous year. The liquidity ratio as at 30 June 2014 remained healthy at 1.16 times, signifying a mild improvement as compared with 1.11 times as at 31 December 2013.

The gearing ratio, which represents the ratio of interest bearing borrowings of the Group divided by the total equity, was 89.7% as at 30 June 2014, as compared to 69.0% as at 31 December 2013. The rise in gearing ratio was due to the new mortgage loan of HK\$56.5 million taken out for the acquisition of new investment property and the increase in the IPO bank loans in late June 2014.

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 24 January 2014, an associate company of the Group entered into an agreement for disposal of its entire interest in a subsidiary which owned and managed a property in the PRC. The transaction was completed in March 2014. Details of the transaction are disclosed in the joint announcement of the Company and CFSG dated 24 January 2014.

Save as aforesaid, the Group did not make any material acquisition and disposal during the period.

Capital Commitments

The Group did not have any material capital commitment at the end of the period.

Material Investments

As at 30 June 2014, the Group was holding a portfolio of investments held for trading with market values of approximately HK\$97.3 million. The net gain derived from investments held for trading of HK\$30.1 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 - FSG

Industry Review

In the first half of 2014, Hong Kong's economy continues to slow down. Real GDP for the first quarter grew by only 2.6% while the second quarter further slowed down to a 1.8% growth. In China, GDP expanded by 7.4% YoY in the second quarter of this year, reflecting a slowdown in economic growth compared to last year due to a decline in the growth of credit and investment. Driven by upturns in exports and private inventory investment, real GDP in the US increased by 4% in the second quarter of 2014.

Due to both overseas and Mainland China market conditions, the Hong Kong stock market underperformed some major markets such as that in the US, which featured a rise in Dow Jones Industrial Index and Standard & Poor's 500 Index to record highs in the first half of 2014. In light of lingering worries about an economic hard landing in China, the Shanghai Composite Index has fallen 3.2% in the period following a decline last year.

During the period, the Hang Seng Index (HSI) had a slight drop of 0.5% with average daily market turnover reached HK\$62.9 billion, representing a decrease of 7.8% when compared with HK\$68.3 billion for the the same period last year.

In the first six months of 2014, Hong Kong has raised HK\$81.1 billion from 52 IPOs, representing 104% and 118% increases respectively as compared against HK\$39.7 billion raised out of 22 IPOs over the same period last year. This encouraging rally pushes Hong Kong to the fourth position in the global IPO race.

Business Review & Outlook

Investment Banking

In the first half of 2014, there was a significant growth in the capital markets in Hong Kong. The total fund raised for both primary and secondary markets reached approximately HK\$215.8 billion, representing an increase of about 57.5% as compared to the corresponding period last year. In particular, fund raised through new listings on The Hong Kong Stock Exchange increased by approximately 1.04 times to HK\$81.1 billion. The total number of newly listed companies on both Main Board and GEM Board also increased by approximately 1.26 times to 52.

During the period, we continued our strategy to provide full-fledged investment banking services to our clients. We acted as financial adviser, or independent financial adviser to a number of sizeable listed companies and advised on various corporate finance transactions, including proposed spin-off, issue of convertible bonds, whitewash applications, and other notifiable and/or connected transactions. Besides, in order to capture more opportunities of mergers and acquisitions, we became one of the founding members of the Global Merger & Acquisition Association. While we will continue to focus on financial advisory projects, we will also actively seek opportunities to conduct fund raising exercises for pre-IPO clients as well as listed issuers.

Broking

The first half of 2014 has been a tough period for the stock market. HSI traded at a narrow range between 21,182 and 23,340 with an overall decrease of trading volumes in both the stock and commodities markets by 7.1% and 4.2% respectively. The investment sentiment was subdued amidst the unstable economic environment caused by the Occupy Central, potential credit crunch due to the stagnant property market and the weakening GDP growth in Mainland China. During the period, we managed to record a slight increase of 4% in our interest income.

Looking forward, the announcement of the Shanghai Hong Kong Stock Connect Scheme to be launched in October this year is regarded as a breakthrough of the Mainland financial policy which enables market connectivity and capital internationalisation between Mainland China and Hong Kong. The policy is expected to bring a robust growth on the stock market which attracts international investors to utilize Hong Kong as a hub to get access to the Mainland stock markets. Meanwhile, Mainland investors can diversify their portfolios by entering the Hong Kong stock market with ease.

Currently, we are in the process of applying for a direct membership of the Singapore Exchange (“SGX”) which provides another active market to meet with investors’ demand.

The outlook of both the Mainland and Hong Kong stock markets are optimistic as the China economy further solidifies accompanied by a series of social enhancement measures. Together, we are cautiously optimistic about our business growth to be driven mainly by Mainland investors in the second half of 2014, and China market will continue to be our key development area for the coming years.

Asset Management

Hong Kong and Mainland stock markets underperformed the Asian stock markets in the first half of 2014. Slower economic growth in China and the mirror bank loans problem raised investors’ concern on economic hard landing in China. In response to the improving political environment in the Asian countries, investors reallocated their portfolio by lowering the weighting of Hong Kong and China stocks and increasing the weighting on other Asian stocks. Overall, the HSI fell 0.49% and the H-share index fell 4.45% in the first half year of 2014.

Our amount of Asset Under Management (AUM) rose around 7.85% compared with the end of the year in 2013. We outperformed the market during the period as we put more efforts to acquire new high-net-worth clients. As the market concerned the slow down of the economic growth in China, we focus on those sectors with lower co-relationship with the China’s economic growth such as technology, medical and Macau gaming industries and avoid the liquidity sensitive sectors such as raw material, Mainland China property and finance.

Looking forward, we expect China’s economic growth rate to rebound in the second half of 2014 and China’s economy to reach approximately 7.3% growth in 2014. The Hong Kong stock market is trading at around 11 times prospective 2014 P/E and around 3.24% dividend yield and the current valuation is undemanding for the long-term investors. The Shanghai-Hong Kong Stock Connect Scheme is expected to commence in October 2014. We expect both Shanghai A-share and Hong Kong stock markets to resume the upside momentum and to chase back the laggard in the second half of 2014. We believe that our AUM and revenue such as performance fee may keep a reasonable growth in 2014.

Wealth Management

As a fully-fledged and long standing wealth management service provider, our goal is to help our clients achieve their life-long investment objectives with our personalized and comprehensive investment solutions on a risk-adjusted basis. During the period under review, although the global investment environment remained volatile, we maintained a moderate growth in term of turnover in the first half year of 2014.

We continue to develop in-house wealth management product and strengthen discretionary portfolio management service to align with the direction to broaden income stream. We also strengthen the co-operation with different business units and create synergy to the group. In addition, we work closely with business partners for corporate brand building and business development.

Mobile Trading and Platform Development

In the first half of the year, we continued to enhance our trading platform. We upgraded our electronic trading platform by integrating the PPS payment function in March, to enable clients to transfer fund to the electronic trading platform even after office hours. For the trading App "CASH Securities Traders", the chart function and IPO subscription will be included in the next version and we are currently in the testing phase. We made use of the mobile social media channels, i.e., Sina Weibo, Tencent Weibo, WeChat and Facebook to promote our enhanced services to investors and investing public.

Algorithmic Trading

Envisaging the change in the future financial market, we expanded our horizon to the quantitative finance and algorithmic trading arena. The Quant-Finance Lab will be opened in the Hong Kong Science Park to serve as a pioneer and leader in the research and development (R&D) of IT-Finance, Algorithmic Trading, Risk Management, Compliance and Innovation. Talents from Hong Kong and overseas are recruited to join the newly established Algo Finance Group with over 90% of them PhDs and Master Degree holders.

The Algo Finance Group will also extend the R&D capabilities with other strategic partners in the Finance, Information and Innovation Technology industries and the academia. Services will include the incubation and development for traditional traders converting their strategies into computer algorithms, research scientists transforming the financial data into various quantitative models and trading strategies, PhD and MSc graduates from top universities exploring their career paths, and overseas Algo traders adapting their models to the Hong Kong and overseas markets.

Outlook

In the first half of the year, worries about the tapering of quantitative easing by the US Federal Reserve and uncertain outlook for the euro zone economies posed risks for global economy. Although these uncertainties may weigh on the Hong Kong financial market in the second half of 2014, it is believed that effective economic and market policies in the Mainland would bring about optimism to Hong Kong stock market.

While China was affected by scant global demand and internal problems in the first half of 2014, it is expected that the fine-tuning measures approved by the State Council will bring about smooth restructuring effect and lead to steady growth in the coming months. The introduction of preferential tax rates to SMEs, acceleration of railway construction in Central and Western China and the targeted reduction in banks' reserve requirement ratio (RRR) are likely to gradually lift the economy. The Mainland China economy is expected to stay stable and on the rise in the rest of 2014. Economic outlook of Hong Kong could ride on and gain benefit from the improving market sentiments in China.

The pilot programme for the establishment of a mutual stock market access between Mainland China and Hong Kong is announced by the Chinese regulators during the first half of the year. Under the programme, Mainland investors will be able to trade Hong Kong stocks, thus attracting more Mainland companies to list in Hong Kong. We expect that the Shanghai-Hong Kong Stock Connect Scheme, which will be launched in the fourth quarter of 2014, will provide a boost for the market. This should help onshore-offshore interest rates convergence and make RMB carry trade more attractive.

Given the stable growth in China's economy with improving fundamentals, it is also expected to see more IPO activities in the second half of 2014. Hong Kong is likely to remain as one of the top destinations for fund raising globally. The Group will continue to position itself as a professional financial adviser for medium-sized enterprises seeking to raise funds in the international capital market. In the meantime, we will continue to develop more sophisticated and user-friendly trading platforms and tools to facilitate investment from investors.

Retail Management Business – CRMG

Pricerite Business Review and Outlook

During the period, transactions of residential property had been affected by suppressed Hong Kong residential market since last year when extra stamp duty was announced. Despite the sluggish market, Pricerite maintained steady performance in both revenue and gross profit in the first half of 2014.

During the period, we continued to grow the business with our LIVING SMART philosophy, which aims to improve quality of living and to maximize living space amid the crowded living environment in Hong Kong. To enhance the shopping environment, during the first half of the year, we have revamped five stores including Metro Plaza, Amoy Plaza, Tai Po, To Kwa Wan and Tsuen Wan Plaza stores to better showcase our LIVING SMART solutions. In addition, we have opened new stores in Tin Shui Wai, Aberdeen and Kai Tin in the past few months, making up our total retail network to 31 stores.

Our tailor-made furniture (TMF) business continued to grow at a satisfactory pace. We have recently revamped and renamed our tailor-made furniture centre to “家匠 TMF” to emphasise its value proposition in added flexibility and customisation. More “家匠 TMF” centres, along with our store network, are in the pipeline. With larger display area and an expanded TMF specialist team, we can now better demonstrate space optimisation ideas such as raised floor, pull-down wall bed and table, panel wall for living room, tailor-made beds and desks on window sills. We have also expanded our product and service offerings to include flooring products, paint, wallpaper and window curtains, so as to provide a truly one-stop shopping experience for new home owners. “家匠 TMF” service has also been built in on our e-shop platform to facilitate customers to make appointments with our TMF specialists and to facilitate customers to review their order details and trace the order processing status at their fingertips anytime anywhere.

Focusing on space optimisation, our merchandising and product development teams have worked closely with our suppliers to introduce various innovative products and solutions to further strengthen our product assortment. Hiddenbed, another smart product range, is well received by most Hong Kong families since its launch. More Hiddenbed models were introduced during the period to cater for the diverse space optimisation needs of different families.

With new designs, functions and features, Pricerite e-shop has doubled its traffic and turnover and seen even faster growth in transactions from mobile channel as compared to the same period in 2013. Limited-time count-down offers improved the site stickiness and customer visits. The integration of existing Pricerite membership programme with online accounts allows all Pricerite members to redeem their points earned offline in online transactions and vice versa. With the solid foundation, we will allocate more resources to further step up the development of our e-shop to support round-the-clock and multi-channel shopping needs of our younger clientele.

During the period, we continued to strengthen our customer relationship management with the use of diverse social media platforms. Our Facebook fans have grown significantly, together with WeChat and Youtube channels, we stay connected with our customers anytime anywhere.

In the period under review, we have won the Distinguished Salesperson Award held by Hong Kong Management Association and the Gold Award in Wholesalers and Retailers sector of the Hong Kong Awards of Environmental Excellence Sectoral Awards 2014, which once again demonstrated our excellent service quality and our continuous effort in green commitment.

In the third quarter, we will launch our Megabox store with a new concept – Pricerite the House. As the largest flagship store in Hong Kong, Pricerite the House will showcase innovative ideas in product design, visual display and modern retail services to our customers. Looking forward, we are cautiously optimistic in sustaining our growth momentum by continuous innovations to satisfy customer needs.

Mobile Internet Services Business – Net2Gather

The mobile internet gaming market still experienced notable growth in the past few quarters. With its low entry barriers in technology, the mobile internet gaming is enticing many independent development teams and small and medium-sized studios to enter the market. In addition, the top gaming companies have gained a foothold and announced huge investment in the mobile gaming sector in recent years. A significant amount of game titles are under development and expected to be released soon. In view of the keen competition, the Group had trodden carefully in adjusting the pace of its business expansion. The Group will continue to implement stringent cost control measures over its operations and adhere to a prudent strategy for its online game business.

In the meantime, the Group will dedicate its best effort to explore new business initiatives in mobile internet industry other than the gaming sector. The Group will also continue to solicit partnerships and investment opportunities in other fast-growing e-Commerce business models of the mobile internet market.

EMPLOYEE INFORMATION

At 30 June 2014, the Group had 1,183 employees, of which 243 were at the CFSG's 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\$115.8 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 2014, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were recorded in the register required to be kept under section 352 of the SFO; or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the 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	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
		<u>21,070,208</u>	<u>176,805,205</u>	<u>35.71</u>

* The shares were held by Cash Guardian Limited (“Cash Guardian”) (which was 100% beneficially owned by Mr Kwan Pak Hoo Bankee (“Mr Kwan”). 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 (HK\$)	Notes	Number of options			Percentage to issued shares as at 30 June 2014 (%)
					outstanding as at 1 January 2014	lapsed during the period (Note (5))	outstanding as at 30 June 2014	
Kwan Pak Hoo Bankee	11/10/2012	11/10/2012 – 31/10/2014	0.624	(1)&(2)	4,050,000	-	4,050,000	0.73
Law Ping Wah Bernard	11/10/2012	11/10/2012 – 31/10/2014	0.624	(2)	4,050,000	-	4,050,000	0.73
Ng Hin Sing Derek	11/10/2012	11/10/2012 – 31/10/2014	0.624	(2)	2,250,000	-	2,250,000	0.40
Tsui Wing Cheong Sammy (Noted (4))	7/10/2013	7/10/2013 – 31/10/2015	0.480	(2)&(3)	5,500,000	(5,500,000)	-	-
					<u>15,850,000</u>	<u>(5,500,000)</u>	<u>10,350,000</u>	<u>1.86</u>

Notes:

- (1) Mr Kwan is also the substantial shareholder of the Company.
- (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 shall be exercisable after three months from the date of grant.
- (4) Mr Tsui Wing Cheong Sammy resigned as director of the Company during the period.
- (5) The lapsed options were due to resignation of director with the Company.
- (6) No option was granted, exercised or cancelled during the period.
- (7) The options are held by the directors of the Company in the capacity of beneficial owners.

B. Associated corporations (within the meaning of SFO)

(i) CFSG

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

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Corporate interest	
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	-	1,792,272,589*	46.21
Law Ping Wah Bernard	Beneficial owner	27,506,160	-	0.70
Ng Hin Sing Derek	Beneficial owner	66	-	-
		<u>27,506,226</u>	<u>1,792,272,589</u>	<u>46.91</u>

* 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 134,471,520 shares by Cash Guardian (which was 100% beneficially owned by Mr Kwan). Pursuant to the SFO, Mr Kwan was 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 CFSG held by CIGL and Cash Guardian as a result of his interests in the Company and Cash Guardian 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 30 June 2014	Percentage to issued shares as at 30 June 2014 (%)
					outstanding as at 1 January 2014	granted during the period (Notes (4)&(5))	lapsed during the period (Note (6))		
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
	11/4/2014	11/4/2014 - 31/12/2017	0.097	(2)	-	30,000,000	-	30,000,000	0.77
Law Ping Wah Bernard	11/10/2012	11/10/2012 - 31/10/2014	0.093	(2)	39,000,000	-	-	39,000,000	1.01
	11/4/2014	11/4/2014 - 31/12/2017	0.097	(2)	-	30,000,000	-	30,000,000	0.77
Ng Hin Sing Derek	11/10/2012	11/10/2012 - 31/10/2014	0.093	(2)	20,000,000	-	-	20,000,000	0.52
	11/4/2014	11/4/2014 - 31/12/2017	0.097	(2)	-	30,000,000	-	30,000,000	0.77
Tsui Wing Cheong Sammy (Note (3))	11/4/2014	11/4/2014 - 31/12/2017	0.097	(2)	-	30,000,000	(30,000,000)	-	-
					98,000,000	120,000,000	(30,000,000)	188,000,000	4.85

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. The options must be exercised within one month from the date on which the Board's approval of the vesting of the options.
- (3) Mr Tsui Wing Cheong resigned as director of the Company during the period.
- (4) The closing price of the share immediately before the date of grant of options on 11 April 2014 was HK\$0.10.
- (5) The value of the options granted during the six months ended 30 June 2014 was zero as the performance targets set for the options had not been achieved by the end of the period under review.
- (6) The lapsed options were due to resignation of director with the Company.
- (7) No option was exercised or cancelled during the period.
- (8) The options are held by the directors of the Company in the capacity of beneficial owner.

(ii) CRMG

Long positions in the ordinary shares of HK\$0.001 each

Name	Capacity	Number of shares	Shareholding (%)
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	<u>3,528,047,334*</u>	<u>90.98</u>

* The shares were held by CIGL. Mr Kwan was deemed to be interested in all these shares in CRMG as a result of his interests in CIGL through the Company as disclosed in the “Substantial Shareholders” below.

Save as disclosed above, as at 30 June 2014, 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).

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 2014 were as follows:

Date of grant	Option period	Exercise price per share (HK\$)	Notes	Number of options		
				outstanding as at 1 January 2014	lapsed during the period (Note (5))	outstanding as at 30 June 2014
<u>Directors</u>						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(1)&(2)	10,350,000	-	10,350,000
7/10/2013	7/10/2013 – 31/10/2015	0.480	(1),(2)&(3)	5,500,000	(5,500,000)	-
				15,850,000	(5,500,000)	10,350,000
<u>Employees</u>						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(2)	13,050,000	(6,300,000)	6,750,000
<u>Consultants</u>						
11/10/2012	11/10/2012 – 31/10/2014	0.624	(4)	10,116,000	-	10,116,000
				39,016,000	(11,800,000)	27,216,000

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 shall be exercisable after three months from the date of grant.
- (4) 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.
- (5) The lapsed options were due to resignation of participants with members of the Group.
- (6) No option was granted, exercised 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 2014 were as follows:

Date of grant	Option period	Exercise price per share (HK\$)	Notes	Number of options			
				outstanding as at 1 January 2014	granted during the period (Notes (4)&(5))	lapsed during the period (Note (6))	outstanding as at 30 June 2014
Directors							
11/10/2012	11/10/2012 – 31/10/2014	0.093	(1)&(2)	98,000,000	-	-	98,000,000
11/4/2014	11/4/2014 – 31/12/2017	0.097		-	120,000,000	(30,000,000)	90,000,000
				<u>98,000,000</u>	<u>120,000,000</u>	<u>(30,000,000)</u>	<u>188,000,000</u>
Employees and consultants							
11/10/2012	11/10/2012 – 31/10/2014	0.093	(2)	177,000,000	-	(78,000,000)	99,000,000
11/4/2014	11/4/2014 – 31/12/2017	0.097	(2)	-	120,000,000	-	120,000,000
11/4/2014	11/4/2014 – 31/12/2017	0.097	(2)	-	21,000,000	-	21,000,000
2/5/2014	2/5/2014 – 31/12/2014	0.090	(3)	-	38,000,000	-	38,000,000
22/5/2014	22/5/2014 – 31/12/2017	0.091	(2)	-	46,000,000	-	46,000,000
				<u>177,000,000</u>	<u>225,000,000</u>	<u>(78,000,000)</u>	<u>324,000,000</u>
				<u>275,000,000</u>	<u>345,000,000</u>	<u>(108,000,000)</u>	<u>512,000,000</u>

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 vesting of certain options is the sole discretion of the Board. The options must be exercised within one month from the date on which the Board’s approval subject to the achievement of agreed milestones / performance indicators as determined at of the vesting of the options.
- (3) The options must be exercised within 8 months from the date of grant of the options and upon satisfactory delivery of services.
- (4) The closing prices of the Share immediately before the date of grant of options on 11 April 2014, 2 May 2014 and 22 May 2014 were HK\$0.100, HK\$0.089 and HK\$0.091 respectively.
- (5) The value of the options granted during the period ended 30 June 2014 was zero as the performance targets set for the options had not been achieved by the end of the period under review.
- (6) The lapsed options were due to resignation of grantees with members of the Group.
- (7) No option was granted, exercised or cancelled during the period.

(ii) Netfield Technology Limited (incorporated in Bermuda) (“Netfield (Bermuda)”)

No option has been granted under the share option scheme of Netfield (Bermuda) since its adoption on 6 June 2008.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, 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, or were deemed or taken to have an interest or short positions in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

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 2014, the Directors and chief executives of the Company were not aware of any other parties or corporation (other than a Director or chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in the shares and underlying shares as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

CORPORATE GOVERNANCE

During the accounting period from 1 January 2014 to 30 June 2014, 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:

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.

Save for the above, the Company has been in compliance with the CG Code throughout the six months ended 30 June 2014.

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 2014 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 2014, 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

Hong Kong, 29 August 2014

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 Hin Sing Derek

Independent non-executive directors:

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

* *For identification purpose only*