REORIENT GROUP LIMITED
瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board of directors (the "Board") of REORIENT GROUP LIMITED (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. The unaudited condensed consolidated interim results have been reviewed by the Company's audit committee and the Company's independent auditor.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	At 30 June 2013 (Unaudited) HK$'000	At 31 December 2012 (Audited) HK$'000
Non-current assets			
Fixed assets		**7,717**	6,897
Interest in an associate		**32,603**	—
Other non-current assets		**1,288**	735
Total non-current assets		**41,608**	7,632
Current assets			
Accounts receivable	*10*	**302,532**	198,514
Other receivables, deposits and prepayments		**11,589**	14,657
Bank balance-trust and segregated accounts		**33,049**	41,713
Cash and cash equivalents		**153,130**	149,271
Total current assets		**500,300**	404,155
Current liabilities			
Accounts payable	*11*	**332,178**	235,671
Accrued expenses and other payables		**7,495**	9,961
Total current liabilities		**339,673**	245,632
Net current assets		**160,627**	158,523
Net assets		**202,235**	166,155
Equity			
Share capital	*12*	**4,115**	3,845
Reserves		**192,497**	156,463
		196,612	160,308
Non-controlling interests		**5,623**	5,847
Total equity		**202,235**	166,155

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

(a) Statement of compliance

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

The condensed consolidated interim financial statements are unaudited, but have been reviewed by the Company's audit committee and the Company's independent auditor, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA.

(b) Basis of measurement

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

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

(c) Use of estimates and judgments

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

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

2. Significant accounting policies

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

— HKFRS 10, *Consolidated financial statements*

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

— HKFRS 13, *Fair value measurement*

— Annual Improvements to HKFRSs 2009-2011 Cycle

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

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

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

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

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

3. Segment reporting

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

(i) securities brokerage,

(ii) securities placing and underwriting, and

(iii) consultancy and advisory services.

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

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

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

(a) Segment revenue and results

For the six months ended 30 June 2013

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

For the six months ended 30 June 2012

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

(b) Segment assets and liabilities

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

(c) Geographical segment information

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

4. Turnover

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

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

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

5. Other operating income

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

6. Loss before taxation

Loss before taxation is arrived at after charging:

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

7. Income Tax

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

8. Loss per share

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

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

9. Dividend

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

10. Accounts receivable

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

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

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

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

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

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

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

11. Accounts payable

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

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

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

12. Share capital

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

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

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

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

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

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

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

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

OVERALL PERFORMANCE

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

Brokerage business

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

Financial advisory business

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

FINANCIAL REVIEW

Liquidity and financial resources

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

Capital structure

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

Foreign exchange risk

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

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

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

Material acquisitions and disposals of subsidiaries and associates

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

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

Charge on assets

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

Commitments

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

Contingent liabilities

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

Staffing and remuneration

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

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

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

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

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

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

For and on behalf of
REORIENT GROUP LIMITED
Ko Chun Shun, Johnson
Chairman

Hong Kong, 6 August 2013

As at the date of this announcement, the Board comprises Mr. Ko Chun Shun, Johnson, Mr. Jason Boyer, Mr. Brett McGonegal, Mr. Chen Shengjie, Ms. Ko Wing Yan, Samantha and Mr. Tsoi Tong Hoo, Tony (who are executive directors), and Mr. Liu Zhengui, Mr. Ding Kebai, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP (who are independent non-executive directors).