ANNUAL REPORT 2013

REORIENT 瑞東

REORIENT GROUP LIMITED

STOCK CODE 376

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Jason Boyer *(Vice Chairman)*
Mr. Brett McGonegal *(Chief Executive Officer)*
Mr. Chen Shengjie
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Non-executive Director

Mr. Dorian M. Barak

Independent Non-Executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard
Dr. Wong Yau Kar, David, BBS, JP

Audit Committee

Mr. Chu Chung Yue, Howard *(Chairman)*
Mr. Liu Zhengui
Mr. Ding Kebai

Remuneration Committee

Mr. Liu Zhengui *(Chairman)*
Mr. Ko Chun Shun, Johnson
Mr. Chu Chung Yue, Howard

Nomination Committee

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Liu Zhengui
Mr. Chu Chung Yue, Howard

Company Secretary

Mr. Jim Pak Keung, Patrick

Auditor

KPMG
Certified Public Accountants

Bankers

HSBC
Goldman Sachs International
Hang Seng Bank

Registered Office and Principal Office

Suites 1101-03
11/F., Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Website

www.reorientgroup.com

Stock Code

376

Chairman's and CEO's Statement

Dear Fellow Shareholders:

2013 was a pivotal year for The REORIENT Group (the "Group"). The Institutional Sales and Trading business and the Investment Banking platform have sufficiently matured for the Group to transition from the building phase to the execution stage. Our bespoke model gives us flexibility in responding to client demands across divisions and asset classes.

The synergies between the Institutional Sales and Trading and the Investment Banking platforms were highlighted at the end of the fourth quarter when the two verticals partnered in cross-selling, closing a unique M&A deal and executing two successful capital raises for Hong Kong listed companies. Corporate Finance is poised to build on a good closing quarter in 2013 and expand the scalable financial advisory business in the first half of 2014.

The Group overall moves into the first half of 2014 with good momentum and remains focused on building a global brand. We discussed in our 2013 mid-year update the desire to obtain a license in the US to connect to the large US based capital pool. This aim has largely been achieved. We were approved for our USA FINRA broker dealer license in late September 2013. We will soon begin a marketing foray to the US East Coast centers featuring our research presentation on the transformation of the Chinese economy. We also plan to distribute daily research in the US and solicit and execute transactions with US-domiciled funds and money managers. REORIENT Financial Markets (USA) LLC will be headquartered in New York City and plans to open in April 2014.

The Group continues to build out the four verticals of the business and has added four highly qualified and widely recognized employees since August 2013. We have hired a Head of Americas with 30 years of cross-asset class experience and expect to place a handful of employees in New York City. Additionally, we have hired a Head of Strategy for the Investment Banking group and added two people to Institutional Sales and Trading; one a senior former buy-side trader, the other an analyst from a top tier global bank. Our overall headcount has remained static with 65 employees as at December 31, 2013. We have managed turnover to maximize productivity per job profile. We plan to remain true to our headcount philosophy of building deliberately and having solid revenue coverage per employee.

While continuing to incur losses in the amount of HK$87.4 million in 2013, a decrease of HK$8.9 million over the prior year, we achieved revenue growth on a year over year comparison of 66%, while costs increased at a lower rate of 20%. We aim to continue this trend through 2014. Revenue generation by region was diversified and is indicative of our global business reach. We had a balanced mix of revenue spread across Asia in the Sales and Trading business. Our platform's broad base allows us to take advantage of hot markets (Japan 2013), while also continuing to diversify into other regional markets (2013 South Korea, Malaysia, Indonesia, Thailand).

Chairman's and CEO's Statement

The Investment Banking deal pipeline is healthy and diversified geographically. We are focused on deals which offer potentially reoccurring revenue streams, as well as early mover advantage leading to increased flow. We advised on the acquisition of an Africa-based logistics and aviation services business by a Hong Kong-listed company; bringing a reputable team with a proven track record to the acquiring company's management. Through this transaction, we positioned ourselves as one of the early movers in advising on China-Africa deal flow. With an estimated US$1 trillion dollars to be invested by China in Africa over the next 10 years, opportunities in this sector abound. Additionally, we have diversified our deal pipeline away from a heavily China/Southeast Asia weighted product mix to a more global one to pursue opportunities in Australia, Africa, Europe and North America.

Lastly, we continue to work on growing and scaling our asset management platform. Our investment in EQ Partners Co. Ltd is set to deliver returns in the near term and has greatly increased our profile in South Korea.

The economic and market climate in early 2014 is characterized by a high degree of uncertainty and volatility. Optimistic global growth forecasts are coming into question as the US Federal Reserve dials back quantitative easing and reduces asset purchases. However, we view the impending end to global easy money as an opportunity for the less standardized, more flexible REORIENT Group investment and merchant banking model. Investors will become more selective in their capital allocations. We are confident that our bespoke model of flexibly in responding to client demands across platform boundaries and asset classes is well suited to the new tighter money environment.

Sincerely,

Ko Chun Shun, Johnson
Chairman and Executive Director

Brett McGonegal
CEO and Executive Director

Hong Kong, 20 February 2014

Management Discussion and Analysis

Business Review

Overall Performance

2013 was the second full year of trading and operations after the resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited. The 2013 results reflect the Group's transition from the building phase to the execution stage of our business plan. A strong fourth quarter from our Institutional Sales and Trading business, Investment Banking and Corporate Finance showed the momentum going into 2014.

The Group's consolidated revenue for the year was HK$77.5 million, representing a 66% increase from HK$46.8 million recorded in 2012. The consolidated net loss for the year also improved versus 2012. We ended 2013 with a loss of HK$87.4 million versus a loss of HK$96.3 million recorded in 2012.

The Group's increase in revenue was offset by additional staff costs and operating expenses resulting from the last stages of the initial build. We continued to invest in the recruitment of high calibre professionals, who are critical to the execution of our business model and overall strategy. In 2013, we continued to build our key verticals and have added four highly qualified and widely recognized employees. Overall headcount remained static with 65 employees as at 31 December 2013.

Brokerage Business

For the year ended 31 December 2013 (the "Year"), the total value of the transactions in relation to securities brokerage by the Group amounted to approximately HK$25 billion. The Group's commission income generated from securities brokerage amounted to approximately HK$43.3 million, representing 56% of the Group's revenue for the year (2012: 73%), and an increase of 27% over the level of commission income of HK$34.2 million reported last year.

Financial Consultancy and Advisory Business

Our financial advisory business finished 2013 with a strong quarter, as income generated from consultancy and advisory services was HK$19.4 million, representing 25% of the Group's revenue for the year ended 31 December 2013, an increase of 56% as compared to the HK$12.5 million recorded in 2012.

Placing and Underwriting Business

During the Year, the Group completed three placing and underwriting transactions. The Group will continue to participate in placing and underwriting exercises. For the year ended 31 December 2013, the total value of transactions in relations to placing and underwriting by the Group amounted to approximately HK$959 million. The Group's income generated from placing and underwriting amounted to approximately HK$14.6 million, representing 19% of the Group's revenue for the year ended 31 December 2013.

Business Review *(Continued)*

Looking Forward

Going into 2014, the Investment Banking and Corporate Finance deal backlog continues to grow in size and quality. To maintain this growth, we are focused on deals which offer the potential for recurring revenue streams. Our Institutional Sales and Trading department is poised to monetize the platform in Hong Kong and the planned expansion to the US.

Liquidity and Financial Resources

The Group's total shareholders' equity amounted to approximately HK$161 million as at 31 December 2013 as compared to the total shareholders' equity of HK$166 million reported at the end of last year. The change was attributable to the loss reported for the year ended 31 December 2013 offset primarily by equity issue HK$82 million.

As at 31 December 2013, the Group had cash and cash equivalents of approximately HK$111 million (31 December 2012: HK$149 million). As at the end of the reporting date, the current ratio was measured at 2.1 times (31 December 2012: 1.6 times). The Group had no bank and other borrowing at the end of the reporting period (31 December 2012: nil).

During the Year, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 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 US dollar ("USD") is insignificant, on the grounds 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 interest in an associate and bank balances in currencies other than the USD, such as the Korean Won, Japanese Yen and Renminbi. The management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

Management Discussion and Analysis

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 year ended 31 December 2013.

Charges 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.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013.

Staffing and Remunerations

As at 31 December 2013, the Group employed 65 full time employees, 59 of which were located in Hong Kong and 6 in the People's Republic of China. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide an incentive to the employees.

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

Biographical Details of Directors and Senior Management

Executive Directors

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 62, is the Chairman of the Company and an executive Director, the chairman of the nomination committee and a member of the remuneration committee of the Company. Mr. Ko joined the Board in 2011. Mr. Ko beneficially holds 79.5% interest in Gainhigh Holdings Limited ("Gainhigh"), the controlling shareholder of the Company. Mr. Ko is the father of Ms. Ko Wing Yan, Samantha, one of the executive Directors. Mr. Ko is currently the chairman and an executive director of Varitronix International Limited (stock code: 00710), re-designated as deputy chairman in January 2014 and executive director of DVN (Holdings) Limited (stock code: 00500), and vice-chairman and an executive director of China WindPower Group Limited (stock code: 00182), the shares of which are all listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Ko is also a substantial shareholder of the Company, China WindPower Group Limited, DVN (Holdings) Limited and Varitronix International Limited. Mr. Ko has extensive experience in a variety of activities, including manufacturing, securities trading, international trade, electronics and the renewable energy industry. He also has extensive experience in corporate finance, corporate restructuring and mergers and acquisitions.

Mr. Jason Boyer, aged 44, joined the Group in 2011 and joined the Board in 2012, is the Vice Chairman of the Company and the Executive Managing Director of Reorient Financial Markets Limited ("RFM"), a wholly owned subsidiary of the Company.

Mr. Boyer is responsible for the day to day management and business development of the Group's various initiatives and brings over 18 years of experience in institutional financial markets.

Prior to joining the Group, Mr. Boyer relocated to Hong Kong in 2004 to create and build Cantor Fitzgerald HK Capital Markets. Mr. Boyer successfully developed, managed, and expanded all aspects of the business in Asia, rapidly growing the firm to offer a full range of financial services including equities, derivatives, fixed income, FX, corporate finance and investment banking.

Mr. Boyer graduated from the Ivey Business School at the University of Western Ontario in Canada, with an Honors Degree in Business Administration.

Mr. Brett McGonegal, aged 40, joined the Group in 2011 and joined the Board in 2012, is the executive Director and the Chief Executive Officer of the Company.

Mr. McGonegal manages and oversees the Group's main businesses and brings over 15 years of industry experience to the Group. Most recently he was a Managing Director at Cantor Fitzgerald HK Capital Markets and co-head of the Equity Sales and Trading desk. Mr. McGonegal helped Cantor Fitzgerald become a leading institutional market player in Asia by creating a top-tier sales and trading platform while contributing to the formation of an expanding Corporate Finance business focused on China.

Prior to Cantor Fitzgerald, Mr. McGonegal managed the Institutional IPO business for Charles Schwab Capital Markets as a Senior Managing Director and also helped form Etrade's Capital Markets Institutional Sales and Trading businesses in New York.

Mr. McGonegal is a graduate of Hobart College and The Lawrenceville Prep School.

Executive Directors *(Continued)*

Mr. Chen Shengjie, aged 52, is an executive Director. Mr. Chen is the general manager (legal representative) of China Chengtong Resources Recycling Development & Utilization Company, a post he has held since 2004. Mr. Chen joined the Board in 2011. Mr. Chen is an EMBA graduate of Tsinghua University and is a registered accountant in the PRC. Mr. Chen has been a division chief in the Commerce and Trade Audit Department under the National Audit Office of the PRC, the assistant to the general manager of China National Nonferrous Materials Corporation（中國有色金屬材料總公司）and the chief accountant of the China Chengtong Group.

Mr. Tsoi Tong Hoo, Tony, aged 49, is an executive Director. Mr. Tsoi is the chief executive officer and an executive director of Varitronix International Limited (stock code: 00710). Mr. Tsoi joined the Board in 2011. Mr. Tsoi graduated from The University of Western Ontario, Canada with an Honors Degree in Business Administration in 1986. He was selected as one of the "Hong Kong Young Industrialists" by the Federation of Hong Kong Industries in 2010. He is an independent non-executive director of Fairwood Holdings Limited (stock code: 00052). Mr. Tsoi has resigned as a non-executive director of China WindPower Group Limited (stock code: 00182) in January 2014 and has retired as a non-executive director of Zhidao International (Holdings) Limited (stock code: 01220) in August 2013, the shares of which are all listed on the Stock Exchange. Mr. Tsoi is the deputy chairman of the supervisory board of Data Modul AG, which is listed on the Frankfurt Stock Exchange.

Ms. Ko Wing Yan, Samantha, aged 34, is an executive Director. Ms. Ko is the daughter of Mr. Ko Chun Shun, Johnson. Ms. Ko joined the Board in 2011. She holds a Bachelor Degree in Economics and Mathematics from Mount Holyoke College, and a Master Degree in Finance from the Imperial College Management School in London. She has over seven years of experience in banking and has extensive experience in the securities and capital markets. She was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served in international investment banks including Morgan Stanley (in Hong Kong) and JP Morgan Securities Limited (in London). Ms. Ko is an executive director of China WindPower Group Limited (stock code: 00182), which is listed on the Stock Exchange.

Non-executive Director

Mr. Dorian M. Barak, aged 40, joined the Group in January 2014, is a private equity investor and asset manager focused on Africa, the Middle East and Europe. He is Managing Director of Indigo Global, which advises private clients, companies and investment funds on acquisitions, strategy and capital management, and serves on the boards of directors of companies active in the natural resources, aviation and technology sectors. Previously, Mr. Barak was Head of Mergers & Acquisitions and Head of International Strategy, Finance and Operations of Bank Hapoalim, Israel's leading financial group, with assets and operations in 20 countries. Prior to joining Hapoalim, he was an attorney with the financial services group at Skadden, Arps, Slate, Meagher & Flom, and, previously, a financial services consultant with the Boston Consulting Group in New York and Chicago.

Mr. Barak holds a Bachelor's Degree in Business Administration from University of California, Los Angeles, a Master's Degree in Arts from Oxford University and a Juris Doctor Degree from Yale Law School.

Biographical Details of Directors and Senior Management

Independent Non-Executive Directors

Mr. Liu Zhengui, aged 66, is an independent non-executive Director, the chairman of the remuneration committee, and a member of the audit committee and the nomination committee of the Company. Mr. Liu joined the Board in 2011. Mr. Liu holds a bachelor degree in management engineering from HeFei University of Technology. Mr. Liu has over 40 years' experience in corporate finance and capital management. Mr. Liu is currently a director of Shandong School of Economic and Social Development（山東社會經濟發展研究院）and he is also a financial consultant of the Shandong provincial government. During the period from 2004 to 2009, Mr. Liu was the chairman of Bank of China Group Investment Limited (BOCGI). Prior to that, he served as the chief executive of Bank of China's branches in three different provinces for 16 years. Mr. Liu is also the vice chairman and a non-executive director of Brockman Mining Limited ("Brockman") (stock code: 00159), the shares of which are listed on the Stock Exchange.

Mr. Ding Kebai, aged 64, is an independent non-executive Director and a member of the audit committee of the Company. Mr. Ding joined the Board in 2011. Mr. Ding obtained a postgraduate qualification in International Trade from Graduate School of Chinese Academy of Social Science（中國社會科學院研究生院）. Mr. Ding has extensive experience in asset management and international trading. Mr. Ding served in the Ministry of Health of the PRC（國家衛生部）, the Economic and Trade Office of the State Council（國務院經濟貿易辦公室）, the State Economic and Trade Commission（國家經濟貿易委員會）, and the State-owned Assets Supervision and Administration Commission of the State Council（國務院國有資產監督管理委員會）and has held senior position in China National Medical Equipment and Supplies Import & Export Corporation（中國醫療衛生器材進出口公司）and CAS Investment Management Co., Ltd（中國科技產業投資管理公司）.

Mr. Chu Chung Yue, Howard, aged 65, joined the Board in 2011, is an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee of the Company.

Mr. Chu was the Vice President, Asia and Chief Representative, China — Teck Resources Limited (formerly Teckcominco Limited). Mr. Chu was responsible for the development of an Asian strategy for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1978 to 2007 and was the Vice President, Asia and Chief Representative, China from 2007 to April 2011. Mr. Chu holds a bachelor degree in commerce from University of British Columbia and is a member of the Canadian Institute of Chartered Accountant. Mr. Chu has resigned as an executive director of Brockman in April 2013.

Independent Non-Executive Directors *(Continued)*

Dr. Wong Yau Kar, David, BBS, JP, age 56, holds a Ph.D degree in Economics from the University of Chicago. Dr. Wong joined the Board in 2012. Dr. Wong has extensive experience in manufacturing, direct investment, international trade and corporate finance and is currently the managing director of United Overseas Investments Ltd. Dr. Wong is elected as a Hong Kong Deputy of the 12th National People's Congress. Dr. Wong has been actively participating in public services and to name a few, he is currently Chairman of the Land and Development Advisory Committee and a committee member of the Exchange Fund Advisory Committee. In 2010, Dr. Wong was appointed as a Justice of Peace (JP), and in 2012, Dr. Wong was awarded a Bronze Bauhinia Star (BBS) for his valuable contribution to the society.

Dr. Wong is currently a non-executive director of CIAM Group Limited (stock code: 00378), and an independent non-executive director of China WindPower Group Limited (stock code: 00182), China Jiuhao Health Industry Corporation Limited (stock code: 00419), Shenzhen Investment Limited (stock code: 00604) and Redco Properties Group Limited (stock code: 01622), the shares of which are all listed on the Stock Exchange.

Senior Management

Mr. Brad Ainslie, aged 36, joined the Group in 2011, is the Executive Managing Director and Head of Global Markets of RFM.

Mr. Ainslie has over 13 years of experience in equity markets and is responsible for managing and growing the Group's equity businesses globally. Prior to joining the Group, Mr. Ainslie was a Managing Director at Cantor Fitzgerald HK Capital Markets and co-head of the Equity Sales and Trading desk. Mr. Ainslie helped Cantor Fitzgerald become a leading institutional market player in Asia by creating a top-tier sales and trading platform while contributing to the formation of an expanding corporate finance business focused on China.

Prior to moving to Hong Kong, Mr. Ainslie worked in New York with Cantor Fitzgerald's Equity Trading desk and at Morgan Stanley where he advised and traded on behalf of the firm's private clients.

Mr. Ainslie is an Economics and Mathematics Graduate of Bates College in Lewiston, Maine in 2000.

Senior Management *(Continued)*

Mr. Uwe Parpart, aged 72, joined the Group in 2011, is the Executive Managing Director, Chief Strategist and Head of Research of RFM.

Mr. Parpart brings over three decades of experience in finance, journalism, and academia to the Reorient Group. He was most recently Chief Economist and Strategist at Cantor Fitzgerald HK Capital Markets. Prior to that, he was with Bank of America. Mr. Parpart's experience in Asia dates back to the late 1980s, when he worked with the Mitsubishi Research Institute in Tokyo, and later served as an advisor to the Office of the Prime Minister of Thailand.

Mr. Parpart has contributed to numerous magazines and publications, and was Deputy Editor of Asia Times, contributing editor of Forbes magazine, and a columnist for Shinchosha Foresight magazine, Tokyo. He is a frequent guest on CNBC, Bloomberg, Reuters TV and RTHK.

Mr. Parpart received a Fulbright scholarship for graduate work in mathematics and philosophy at the University of Pennsylvania. He has taught at University of Pennsylvania and Swarthmore College.

Mr. John Maguire, aged 50, joined the Group in 2011, is the Head of Corporate Finance of RFM. Prior to joining the Group, Mr. Maguire was the Managing Director and co-founder of OSK Capital Hong Kong Limited (formerly Ernst & Young Corporate Finance Limited) from 2000 to 2011. Before that, Mr. Maguire was Executive Director of Worldsec Corporate Finance Limited (an associate of Bank of Tokyo-Mitsubishi) responsible for Worldsec's investment banking activities in Hong Kong and South East Asia from 1995 to 2000. Prior to relocating to Hong Kong in 1991, Mr. Maguire worked as a solicitor in the City of London.

Mr. Maguire is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited. Mr. Maguire is Deputy Chairman of the Takeovers and Mergers Panel, a Member of the Takeovers Appeal Committee and a Member of the Securities and Futures Commission's Committee on Real Estate Investment Trusts. Mr. Maguire is also a Director of the Hong Kong Securities and Investment Institute, a Member of the Institute's Executive Committee, and the Chairman of the Institute's Membership Committee.

Mr. Maguire is a solicitor admitted in Hong Kong and in England and Wales and is a Fellow Member of the Hong Kong Securities and Investment Institute.

Senior Management *(Continued)*

Mr. David Goldman, aged 62, joined the Group in 2013, is the Managing Director and Head of Americas of RFM, providing the Group's clients with strategic advice, and adding global coverage to complement the firm's resources and expertise in Asia. In addition to macro analysis, Mr Goldman will also be responsible for growing the Group's relationships with institutional investors and investment banking clients in the Western Hemisphere.

Mr. Goldman joined from Macrostrategy LLC, a financial consulting firm. He was previously global head of debt research and a member of the fixed income executive committee at Bank of America. He has also held senior positions at Credit Suisse, where he was elected to Institutional Investor's All-America Fixed Income team as General Strategist, and at Cantor Fitzgerald. Mr. Goldman is a widely-cited and respected writer on finance as well as global affairs. He is a Fellow at the London Center for Policy Research and the Middle East Forum.

Mr. Bryan C. Zolad, aged 39, joined the Group in early 2013, is the Managing Director, Chief Operating Officer ("COO") of RFM. Mr. Zolad brings over 12 years of industry experience to the Group. Most recently, he was a director at Barclays Capital Asia Limited in Hong Kong, as part of the regional Investment Banking COO team. Prior to Barclays, Mr. Zolad was with Nomura and Lehman Brothers in Hong Kong. Mr. Zolad relocated to Hong Kong from New York City in 2008 with Lehman Brothers.

Mr. Zolad holds a Bachelor of Science degree from Babson College in Wellesley, Massachusetts in 1997.

Mr. Cecil Ho, aged 53, joined the Group in 2011, is the Chief Financial Officer of the Company. He is also a director of a number of subsidiaries of the Company. Mr. Ho is an executive director and company secretary of Varitronix International Limited (stock code: 00710). Mr. Ho holds a Bachelor of Commerce degree from the University of British Columbia, Canada. He is a member of the Canadian Institute of Chartered Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Patrick Jim, aged 47, joined the Group in 2011, is the Financial Controller of the Group and was appointed the Secretary of the Company in 2012. Mr. Jim has a Post-graduate Diploma in Accountancy from Sheffield City Polytechnic, United Kingdom and is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The board of directors (the "Board") of REORIENT GROUP LIMITED (the "Company") is committed to maintaining high standards of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for attracting and retaining high calibre and talented management, promoting high standards of accountability and transparency and meeting the expectations of all the shareholders of the Company (the "Shareholders").

The principles of corporate governance adopted by the Company and its subsidiaries (collectively the "Group") stress the importance of a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

Throughout year ended 31 December 2013 (the "Year"), 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 Rules Governing the Listing of Securities (the "Listing Rules").

Model Code of Conduct for Securities Transactions

The Company has adopted the code of conduct (the "Code") 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 of the Company (the "Directors") have confirmed that they have complied with the required standards as stated in the Model Code throughout the Year.

The Board

The Board, led by the chairman (the "Chairman"), is responsible for the formulation of the Group's strategies and policies, approval of annual budgets and business plans, regulating and reviewing internal controls, formulating the Group's corporate governance policy, and supervising the management of the business operations of the Group to ensure that its business objectives are met. The Board also ensures adequacy of resources, qualifications and experience of the Board members. The management of the Group is responsible for the day-to-day operations of the Group.

The Board *(Continued)*

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. The Board comprises the following Directors during the Year:

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Jason Boyer *(Vice Chairman)*
Mr. Brett McGonegal *(CEO)*
Mr. Chen Shengjie
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Independent non-executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard
Dr. Wong Yau Kar, David BBS, JP

Mr. Dorian M. Barak has been appointed as a non-executive Director on 16 January 2014.

The Directors and their brief biographical details are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), an executive Director and the Chairman of the Company, is the father of Ms. Ko Wing Yan, Samantha ("Ms. Ko"), an executive Director. Mr. Ko, Ms. Ko and Dr. Wong Yau Kar, David are directors of China WindPower Group Limited, and Mr. Ko and Mr. Tsoi Tong Hoo, Tony are directors of Varitronix International Limited. The shares of the above companies are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Saved as disclosed in the "Biographical Details of Directors and Senior Management" of this annual report, there are no financial, business, family or other material/relevant relationships between Board members and between the Chairman and the chief executive officer (the "CEO").

The Company has been maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members and has ensured that at least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise as required by the Listing Rules. The participation of independent non-executive Directors in the Board brings independent judgement to ensure the interests of all Shareholders have been duly considered.

The Board *(Continued)*

For a Director to be considered independent, that Director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the year ended 31 December 2013 and the Company considers that they are independent.

All independent non-executive Directors are appointed for a specific term. All Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company according to the requirement in the articles of association of the Company and the Listing Rules (at least once every 3 years).

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year or to pay compensation or make other payments equivalent to more than one year's emolument.

The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board to ensure that the Board acts in the best interests of the Group. Board meetings are planned and conducted effectively.

With the support of the executive Directors and the company secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages all Directors to be fully engaged in the Board's affairs and make contributions to the Board's functions. The Board has adopted good corporate governance practices and procedures and has taken appropriate steps to provide effective communication with the Shareholders.

The CEO is responsible for managing the business of the Group, attending to the formulation and implementation of Group's policies, and assuming full accountability for the Group's operations. Acting as the principal manager of the Group's business, the CEO develops a strategic operating plan that reflects the long-term objectives and priorities established by the Board, and is directly responsible for maintaining the operational performance of the Group. Working with the senior management and the Board, the CEO ensures that the funding requirements of the business are met and closely monitors the operating and financial results against the plans and budgets. He also takes remedial actions when necessary and advises the Board of any significant developments and issues of the Group.

The Board *(Continued)*

The Board meets regularly and at least 4 times a year. Between scheduled meetings, senior management of the Group provides to the Directors the information on the activities and developments in the businesses of the Group on a timely basis and, when required, additional Board meetings are held. In addition, the Directors have full access to the information of the Group and to independent professional advice whenever should they consider necessary. During the year ended 31 December 2013, a total six Board meetings and one general meeting ("2013 AGM") were held and the attendance of each Director is set out below:

	Number of meetings attended in the year ended 31 December 2013/ Number of meetings eligible to attend	
Executive Directors	**Board meetings**	**2013 AGM***
Mr. Ko Chun Shun, Johnson *(Chairman)*	6/6	1/1
Mr. Jason Boyer *(Vice Chairman)*	6/6	1/1
Mr. Brett McGonegal *(Chief Executive Officer)*	6/6	1/1
Mr. Chen Shengjie	6/6	1/1
Mr. Tsoi Tong Hoo, Tony	6/6	1/1
Ms. Ko Wing Yan, Samantha	6/6	1/1
Independent non-executive Directors		
Mr. Liu Zhengui	6/6	1/1
Mr. Ding Kebai	6/6	1/1
Mr. Chu Chung Yue, Howard	6/6	1/1
Dr. Wong Yau Kar, David BBS, JP	6/6	1/1

* 2013 AGM was held on 22 April 2013

The Board *(Continued)*

Professional Training for Directors

All Directors, including independent non-executive Directors, should always know their collective responsibilities as Directors and of the businesses and activities of the Group. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and updates all directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2013, all existing Directors have received relevant trainings on the topics relating to corporate governance and regulations and have provided their training records as follow:

Directors	**Type of training**
Executive Directors	
Mr. Ko Chun Shun, Johnson	B
Mr. Jason Boyer	B
Mr. Brett McGonegal	B
Mr. Chen Shengjie	A
Mr. Tsoi Tong Hoo, Tony	B
Ms. Ko Wing Yan, Samantha	B
Independent non-executive Directors	
Mr. Liu Zhengui	A
Mr. Ding Kebai	A
Mr. Chu Chung Yue, Howard	B
Dr. Wong Yau Kar, David BBS, JP	B

Notes:

A: attending training course
B: reading relevant materials

Board Diversity Policy

The Company has adopted a board diversity policy (the "Policy") in October 2013 which sets out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

The Company recognises the benefits of a Board that possesses an appropriate balance and levels of skills, experience, expertise and diversity of perspectives essential to support the execution of its corporate and business strategies and to enhance the quality and effectiveness of its performance. Board diversity will strengthen the Company's strategic objectives in driving business results; enhancing good corporate governance and reputation; and attracting and retaining talent for the Board.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including professional qualifications and experience, cultural and educational background, race and ethnicity, gender, age and length of service. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

On recommendation from the Nomination Committee, the Board will set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The nomination committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

A copy of the Policy is published on the Company's website for public information.

Board Committees

During the year ended 31 December 2013, the Board has reviewed and monitored the training and continuous professional development of Directors and senior management. The Board has also reviewed and ensured compliance of the relevant legal and regulatory requirements, the code of conducts, and the disclosure in the Corporate Governance Report. Besides, the Company has set up three committees including the, nomination committee, the remuneration committee and the audit committee. Each committee has its specific terms of reference with reference to the Code.

Board Committees *(Continued)*

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") is chaired by Mr. Liu Zhengui with Mr. Ko Chun Shun, Johnson and Mr. Chu Chung Yue, Howard being the members. The Remuneration Committee is responsible for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee shall meet as and when required to consider remuneration related matters such as making recommendations to the Board on the Group's policy and structure for the remuneration of Directors and senior management, and to assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. The written terms of reference are posted on the websites of the Company and the Stock Exchange.

During the Year, the Remuneration Committee has held 1 meeting with all members were present. The Remuneration Committee has reviewed the remuneration packages for Directors and senior management of the Group.

Nomination Committee

The nomination committee of the Company (the "Nomination Committee") is chaired by Mr. Ko Chun Shun, Johnson with Mr. Liu Zhengui and Mr. Chu Chung Yue, Howard being the members. The terms of reference of the Nomination Committee have been determined with reference to the Code and posted on the websites of the Company and the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board at least once every year, making recommendations on any proposed changes to the Board to complement the Group's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Nomination Committee is also responsible for the review of the Board's diversity policy, considering factors including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service of Board members, and review the measurable objectives that the Board has set for implementing the board diversity policy, and monitor the progress on achieving the measurable objectives.

During the Year, the Nomination Committee has held 1 meeting with all members were present. The committee reviewed the structure, size and composition of the Board.

Board Committees *(Continued)*

Audit Committee

The audit committee of the Company (the "Audit Committee") is chaired by Mr. Chu Chung Yue, Howard ("Mr Chu") and Mr. Liu Zhengui and Mr. Ding Kebai being the other members.

Mr. Chu holds a bachelor's degree in commerce from University of British Columbia and is a member of the Canadian Institute of Chartered Accountants. Mr. Chu has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

The terms of reference of the Audit Committee are in line with the Code and are posted on the websites of the Company and the Stock Exchange. Under its terms of reference, the Audit Committee is required, amongst other things, to oversee the relationship with the external auditors, to review the Group's preliminary results, interim results and annual financial statements and to monitor the integrity of the financial statements of the Group, to review the scope, extent and effectiveness of the Group's internal control system and to review the Group's financial and accounting policies.

The Audit Committee held 2 meetings during the Year with all members present.

There is no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed, inter alia, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters of the Group. The Audit Committee has also reviewed, and has discussion with external auditors, the interim and annual consolidated financial statements.

Auditor's Remuneration

A summary of fees for audit and non-audit services is as follows:

Nature of services	**31 December 2013** ***HK$'000***	31 December 2012 *HK$'000*
Audit services	**1,100**	1,000
Other services	**—**	—
Total	**1,100**	1,000

Internal Controls

The Board is responsible for the Group's internal control system and has the responsibility for reviewing its effectiveness. The Company and its subsidiaries have adopted a set of internal control procedures and policies to safeguard the assets, to ensure proper maintenance of accounting records and reliability of financial reporting, and to ensure compliance with relevant legislation and regulations. The internal control system is designed to ensure the financial, operational and compliance controls, and risk management functions are in place and functioning effectively. The Board has conducted a review of and is satisfied with the effectiveness of the internal control system of the Group.

The Board also reviews, at least annually, the adequacy of resources, staff qualifications and experience of the Group's accounting and financial reporting function, and their training programmes and budget.

Company Secretary

The company secretary is responsible to the Board for ensuring that Board procedures are followed and that the activities of the Board are carried out efficiently and effectively. The company secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and Board committees in a timely manner. The company secretary is responsible for ensuring that the Board is fully briefed on all legislative, regulatory and corporate governance developments when making decisions. The company secretary is also directly responsible for the Group's compliance with the continuing obligations of the Listing Rules and The Codes on Takeovers and Mergers and Share Repurchases, including publication and dissemination of the Company's reports and financial statements and interim reports within the period laid down in the Listing Rules, timely dissemination of announcements and information relating to the Group to the market and ensuring that proper notification is made when there are any dealings by Directors in the securities of the Group.

The company secretary also advises the Directors on their obligations in respect of disclosure of interests in securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed.

With respect to the secretarial function of the Group, the company secretary maintains formal minutes of the Board meetings and other Board committee meetings.

During the Year, Mr. Patrick Jim, the company secretary of the Company, has undertaken no less than 15 hours of professional training to update his skills and knowledge.

Shareholders' Right

How Shareholders Can Convene an Extraordinary General Meeting ("EGM")

An EGM may be convened by the Directors on requisition of shareholders of the Company holding not less than one-twentieth (5%) of the paid-up capital of the Company or by such Shareholder(s) who made the requisition (as the case may be) pursuant to section 113 of the Companies Ordinance (Chapter 32, Laws of Hong Kong) (the "Companies Ordinance") and the articles of association of the Company. The objects of the meeting must be stated in the requisition which must be signed by the requisitionist(s) and deposited at the registered office of the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening an EGM.

Procedures for Putting Forward Proposals at a General Meeting

Pursuant to the Companies Ordinance, Shareholders representing not less than one-fortieth (2.5%) of the total voting rights of all Shareholders; or not less than 50 Shareholders holding shares in the Company on which there has been paid up an average sum, per Shareholder, of not less than HK$2,000, may make requisition in writing for proposing resolution or business to be dealt with at the next general meeting. Shareholders should follow the requirements and procedures as set out in section 115A of the Companies Ordinance for putting forward a proposal at a general meeting.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

Suites 1101-03, 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong

Fax: (852) 3102 9022
Email: ir@reorientgroup.com

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Investor Relations

The Board is committed in providing clear and full performance information of the Group to the Shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to the Shareholders, additional information of the Group is also available to the Shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The Chairman and Directors are available to answer questions on the Group's business at the meeting. All resolutions at the general meeting are decided by a poll which is conducted by the Group's share registrar.

The Group values feedback from the Shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Constitutional Documents

There are no changes in the Company's constitutional documents during the Year.

Report of the Directors

The directors of REORIENT GROUP LIMITED (the "Directors") have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2013 (the "Year").

Principal Activities

The principal activity of REORIENT GROUP LIMITED (the "Company") is investment holding. The activities of the principal subsidiaries are set out in note 14 to the financial statements. An analysis of the revenue and the results of the Company and its subsidiaries (collectively the "Group") by business segments during the Year is set out in note 11 to the financial statements.

Results and Dividends

The results of the Group for the Year, and the statement of financial position of the Company and of the Group as of 31 December 2013 are set out in the financial statements on pages 35 to 38.

The Directors do not recommend the payment of a final dividend for the Year (2012: nil).

Fixed Assets

Details of the movements in fixed assets of the Group during the Year are set out in note 12 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in note 25(e) to the financial statements.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2013 are set out in note 25(a) to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100.

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Year, save as disclosed in note 25(e) and other than acting as an agent for clients of the Group, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Share Options

The Company has adopted a share option scheme on 21 July 2011 (the "Share Option Scheme").

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the participants (being any employee (whether full-time or part-time), Directors or consultants of each member of the Group, provided that the board of directors (the "Board") may have absolute discretion to determine whether or not one falls within the above category) and for such other purposes as the Board may approve from time to time.

Pursuant to this 10-year term Share Option Scheme, the Company can grant options to participants for a consideration of HK$1.00 for each grant payable by the participant.

No participant shall be granted an option, if the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant would exceed 1 per cent. of the shares in issue unless such further grant has been approved by the shareholders in general meeting with the participant and his associates abstaining from voting.

Subscription price in respect of each share issued pursuant to the exercise of options granted hereunder shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (a) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") daily quotation sheet on the date on which the option is offered to a participant, which must be a trading day; (b) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; and (c) the nominal value of a share.

According to the Share Option Scheme, unless otherwise determined by the Board, there shall be no minimum holding period for the exercise of the options but the options are exercisable within the option period as determined by the Board and in any event such period shall not be longer than 10 years from the date upon which any particular option is granted.

During the Year, no options were issued and as at 31 December 2013, no options were outstanding (31 December 2012: nil). As at the date of this report, the total number of share option that can be granted was 38,449,452, representing approximately 10% of the issued share capital of the Company on the date of passing the resolution to refresh the Share Option Scheme limit at the annual general meeting on 26 March 2012.

Report of the Directors

Directors

The directors of the Company during the Year and up to the date of this report are:

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Jason Boyer *(Vice Chairman)*
Mr. Brett McGonegal *(CEO)*
Mr. Chen Shengjie
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Non-executive Director

Mr. Dorian M. Barak (Appointed 16 January 2014)

Independent non-executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard
Dr. Wong Yau Kar, David, BBS, JP

In accordance with Article 94 of the Company's memorandum and articles of association, Mr. Dorian M. Barak shall retire and offers himself for election at the forthcoming annual general meeting of the Company.

In accordance with Article 103A of the Company's memorandum and articles of association, Mr. Ko Chun Shun, Johnson, Ms. Ko Wing Yan, Samantha, Mr. Tsoi Tong Hoo, Tony and Mr. Ding Kebai shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the Year and the Company considers that they are independent.

Directors' Service Contracts

None of the Directors has a service contract with the Company which requires the Company to give a period of notice of more than one year, or to pay compensation or make other payments equivalent to more than one year's emolument.

Directors' and Chief Executive's Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

As at 31 December 2013, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules, or known to the Company, were as follows:

Long positions in the shares of the Company:

		Number of Shares held	
Name of Director	**Nature of interest**	**Long position**	**Percentage of shareholding**
Mr. Ko Chun Shun, Johnson	Held by controlled corporation	270,824,382	65.81%

Note: Mr. Ko Chun Shun, Johnson ("Mr. Ko"), the chairman (the "Chairman") and an executive Director of the Company, was interested in 270,824,382 shares through Gainhigh Holdings Limited ("Gainhigh"). 79.5% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

Save as disclosed above, as at 31 December 2013, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

Directors' Rights to Acquire Shares

On 4 June 2012, the Company was informed by Gainhigh that an aggregate of 15% shareholding interest of Gainhigh will be sold to certain key employees of the Group, including Mr. Jason Boyer and Mr. Brett McGonegal, both are executive Directors of the Company. As at the date hereof, Mr. Ko Chun Shun, Johnson, the Chairman and executive Director of the Company is indirectly interested in 79.5% of the issued share capital of Gainhigh. Gainhigh is currently interested in 270,824,382 shares of the Company, representing approximately 65.81% and 63.09% (refer to note 25 (e)(iii) and note 31), of the issued share capital of the Company as at 31 December 2013 and the date of this report, respectively. Following the sale, Mr. Ko will be interested in 64.5% of the issued share capital of Gainhigh. Each of Mr. Jason Boyer and Mr. Brett McGonegal will acquire 3.75% of the then issued share capital of Gainhigh respectively. As at the date of this report, the sale of the 15% shareholding of Gainhigh has not yet been effected.

Directors' Rights to Acquire Shares *(Continued)*

Save as disclosed above and in this report, in particular in the section headed "Directors' Interest in Contracts/ Connected Transactions and Continuing Connected Transactions/Transactions in Securities of the Company" below, at no time during the Year was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors (including their respective spouses and children under the age of 18) to acquire benefits by the means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

Substantial Shareholders

As at 31 December 2013, save as disclosed under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

		Number of Shares held	
Name of Director	**Nature of interest**	**Long position**	**Percentage of shareholding**
Mr. Ko Chun Shun, Johnson *(Note 1)*	Held by controlled corporation	270,824,382	65.81%
Kwan Wing Holdings Limited *(Note 1)*	Held by controlled corporation	270,824,382	65.81%
Gainhigh Holdings Limited *(Note 1)*	Beneficial owner	270,824,382	65.81%
Shaw David Elliot *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw Valence Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw Composite Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co., Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co., L.P. *(Note 2)*	Investment manager	35,000,000	8.51%
D. E. Shaw & Co., L.L.C *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co. II, Inc *(Note 2)*	Held by controlled corporation	35,000,000	8.51%
D. E. Shaw & Co. (Asia Pacific) Limited *(Note 2)*	Investment manager	35,000,000	8.51%

Substantial Shareholders *(Continued)*

Notes:

1. Mr. Ko Chun Shun, Johnson, the Chairman and an executive Director of the Company, was interested in 270,824,382 shares through Gainhigh. 79.5% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

2. Shaw David Elliot, D. E. Shaw Valence Portfolios, L.L.C., D. E. Shaw Composite Portfolios, L.L.C., D. E. Shaw & Co., Inc, D. E. Shaw & Co., L.P., D. E. Shaw & Co., L.L.C., D. E. Shaw & Co. II, Inc, and D. E. Shaw & Co. (Asia Pacific) Limited were interested in the same parcel of these 35,000,000 shares by virtue of the SFO.

Save as disclosed above, as at 31 December 2013, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in Securities of the Company

Save as disclosed below under the section "Securities Services Agreement", no contract of significance (i) to which the Company, its holding company or any of their subsidiaries was a party, and in which a Director was materially interested, whether directly or indirectly, subsisted at any time during the Year or at the end of the Year, nor (ii) between the Company, or one of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

Securities Services Agreement

On 11 October, 2011, the Company entered into a securities services agreement (the "Securities Services Agreement") with Mr. Ko Chun Shun, Johnson, who beneficially owns 79.5% equity interest of Gainhigh (the controlling shareholder of the Company). Mr. Ko is the Chairman and an executive Director of the Company. Pursuant to the Securities Services Agreement, the Group would provide to Mr. Ko or any of his associates securities services (the "Securities Services") including but not limited to securities broking, share placing and underwriting, asset management, financial advisory, corporate finance and related services, for a term up to 31 December 2013, with annual caps of HK$8 million (from the effective date of the Securities Services Agreement), HK$25 million and HK$25 million, respectively, for each of the years ending 31 December 2011, 2012 and 2013. The Securities Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details are set out in the announcement of the Company dated 11 October 2011 and the circular of the Company dated 12 October 2011.

Securities Services Agreement *(Continued)*

Mr. Ko also holds equity and/or controlling interests in other companies (which may include companies listed on the Stock Exchange) which may also require securities broking, placing and other securities related services. Any Securities Services to be provided by the Group to Mr. Ko or any of his associates will be on normal commercial terms and in the ordinary and usual course of business of the Group. The Directors considered that the entering into of the Securities Services Agreement and the provision of the Securities Services would allow the Group to carry out its normal business activities in compliance with the Listing Rules and would benefit the Group by increasing its income base.

The Securities Services Agreement was approved by independent shareholders' voting by way of poll at an extraordinary general meeting of the Company held on 8 November 2011.

During the Year, the Group provided securities services to associates of Mr. Ko under the Securities Services Agreement. Reorient Financial Markets Limited, a principal subsidiary of the Group, operating in securities broking, underwriting and placing of securities, was engaged as their placing agents and received placing commissions of approximately HK$6,146,000 (2012: nil).

The Directors have received a comfort letter from the auditor as required under Rule 14A.38 of the Listing Rules, which states that the terms of the Securities Services Agreement have been approved by the Board, there were no other transactions that fall under the Securities Services Agreement during the Year other than as disclosed above, and the Company has not exceeded the maximum aggregate annual values as disclosed in the circular of the Company dated 12 October 2011.

The independent non-executive Directors have reviewed the terms of the agreements of the securities services provided by Reorient Financial Markets Limited to associates of Mr. Ko, and confirm that the transactions have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group; and were entered into in accordance with the terms of the Securities Services Agreement and in the interests of the shareholders of the Company as a whole.

A summary of the related party transactions entered into by the Group during the Year is set out in note 30 to the financial statements.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Report of the Directors

Major Suppliers and Major Customers

During the Year, revenue derived from the Group's largest 5 customers accounted for approximately 40% of the total revenue for the Year, with the single largest customer contributing approximately 9%.

The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

None of the Directors, their associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's share capital, had an interest in the major customers noted above.

Corporate Governance

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance code adopted by the Company is set out in the Corporate Governance Report of the annual report.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there was sufficient public float of the Company's securities as required under the Listing Rules.

Auditor

The consolidated financial statements have been audited by KPMG who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

KPMG were appointed as auditors of the Company on 4 June 2012 following the resignation of Graham H. Y. Chan & Co. who acted as the auditors of the Company until the same date.

Review by Audit Committee

The audit committee comprises three independent non-executive Directors. The audit committee is chaired by Mr. Chu Chung Yue, Howard with Mr. Liu Zhengui and Mr. Ding Kebai being the other members. The terms of reference of the audit committee are in line with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Group's audited consolidated financial statements for the year ended 31 December 2013 have been reviewed by the audit committee.

On behalf of the Board

Ko Chun Shun, Johnson
Chairman and Executive Director

Hong Kong, 20 February 2014

Independent Auditor's Report

Independent auditor's report to the shareholders of
REORIENT GROUP LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of REORIENT GROUP LIMITED ("the company") and its subsidiaries (together "the group") set out on pages 35 to 99, which comprise the consolidated and company statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2013 and of the group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 February 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	*3*	**77,516**	46,796
Other operating income	*4*	**1,451**	1,186
Net gain on financial assets at fair value through profit or loss		**8,000**	—
Other net gain		**—**	1,117
		86,967	49,099
Staff costs	*5(b)*	**(124,088)**	(101,780)
Depreciation		**(3,385)**	(2,424)
Other operating expenses	*5(c)*	**(46,271)**	(40,887)
Loss from operations		**(86,777)**	(95,992)
Finance costs	*5(a)*	**(754)**	(315)
Share of results of an associate		**171**	—
Loss before taxation	*5*	**(87,360)**	(96,307)
Income tax	*6*	**—**	—
Loss for the year		**(87,360)**	(96,307)
Loss attributable to equity shareholders of the Company		**(87,385)**	(96,068)
Profit/(loss) attributable to non-controlling interests		**25**	(239)
Loss per share attributable to equity shareholders of the Company			
Basic and diluted *(HK cents)*	*10*	**(21.90)**	(24.99)

The notes on pages 41 to 99 form part of these financial statements. Details of dividends declared for the year are set out in note 25(d) to the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 *HK$'000*	2012 *HK$'000*
Loss for the year	**(87,360)**	(96,307)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of results of foreign operations	**316**	213
Total comprehensive income for the year	**(87,044)**	(96,094)
Total comprehensive income for the year attributable to:		
— equity shareholders of the Company	**(87,219)**	(95,953)
— non-controlling interests	**175**	(141)
	(87,044)	(96,094)

The notes on pages 41 to 99 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Fixed assets	12	**6,247**	6,897
Intangible assets	13	**550**	—
Interest in an associate	15	**33,076**	—
Other non-current assets	16	**805**	735
Total non-current assets		**40,678**	7,632
Current assets			
Financial assets at fair value through profit or loss	17	**13,629**	—
Accounts receivable	18	**69,727**	198,514
Other receivables, deposits and prepayments	19	**12,451**	14,657
Bank balance — trust and segregated accounts	20(a)	**22,753**	41,713
Cash and cash equivalents	20(a)	**111,086**	149,271
Total current assets		**229,646**	404,155
Current liabilities			
Accounts payable	21	**82,955**	235,671
Accrued expenses and other payables	22	**25,820**	9,457
Amounts due to directors		**480**	504
Total current liabilities		**109,255**	245,632
Net current assets		**120,391**	158,523
NET ASSETS		**161,069**	166,155
EQUITY			
Share capital	25(e)	**4,115**	3,845
Reserves		**150,932**	156,463
		155,047	160,308
Non-controlling interests		**6,022**	5,847
TOTAL EQUITY		**161,069**	166,155

Approved and authorised for issue by the Board on 20 February 2014 and are signed on its behalf by:

Ko Chun Shun, Johnson
Chairman and Executive Director

Brett McGonegal
CEO and Executive Director

The notes on pages 41 to 99 form part of these financial statements.

Statement of Financial Position

At 31 December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Interests in subsidiaries	*14*	**358,931**	276,999
Total non-current assets		**358,931**	276,999
Current assets			
Prepayment	*19*	**145**	145
Cash and cash equivalents	*20(a)*	**421**	597
Total current assets		**566**	742
Current liabilities			
Accrued expenses and other payables	*22*	**40**	46
Amounts due to directors		**480**	504
Total current liabilities		**520**	550
Net current assets		**46**	192
NET ASSETS		**358,977**	277,191
EQUITY			
Share capital	*25(e)*	**4,115**	3,845
Reserves	*25(a)*	**354,862**	273,346
TOTAL EQUITY		**358,977**	277,191

Approved and authorised for issue by the Board on 20 February 2014 and are signed on its behalf by:

Ko Chun Shun, Johnson
Chairman and Executive Director

Brett McGonegal
CEO and Executive Director

The notes on pages 41 to 99 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share capital HK$'000	Share premium HK$'000	Asset revaluation reserve HK$'000	Exchange reserve HK$'000	Accumulated loss HK$'000	Sub total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2012		3,845	412,428	2,650	—	(162,662)	256,261	—	256,261
Changes in equity for the year ended 31 December 2012:									
Loss for the year		—	—	—	—	(96,068)	(96,068)	(239)	(96,307)
Other comprehensive income for the year		—	—	—	115	—	115	98	213
Capital injection by non-controlling interests in a subsidiary		—	—	—	—	—	—	5,988	5,988
Balance at 31 December 2012 and 1 January 2013		3,845	412,428	2,650	115	(258,730)	160,308	5,847	166,155
Changes in equity for the year ended 31 December 2013:									
Subscription of ordinary shares	*25(e)*	270	82,080	—	—	—	82,350	—	82,350
Cost of issuance of subscription shares	*25(e)*	—	(392)	—	—	—	(392)	—	(392)
(Loss)/profit for the year		—	—	—	—	(87,385)	(87,385)	25	(87,360)
Other comprehensive income for the year		—	—	—	166	—	166	150	316
Balance at 31 December 2013		4,115	494,116	2,650	281	(346,115)	155,047	6,022	161,069

The notes on pages 41 to 99 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Net cash used in operating activities	20(b)	**(84,112)**	(102,140)
Investing activities			
Payment for purchase of interest in an associate		**(32,905)**	—
Payment for purchase of fixed assets	12	**(2,735)**	(401)
Payment for purchase of intangible assets	13	**(550)**	—
Interest received		**597**	67
Net cash used in investing activities		**(35,593)**	(334)
Financing activities			
Net proceeds from issuance of subscription shares	25(e)	**81,958**	—
Interest paid		**(754)**	(315)
Capital injection by non-controlling interests in a subsidiary		**—**	5,988
Net cash generated from financing activities		**81,204**	5,673
Net decrease in cash and cash equivalents		**(38,501)**	(96,801)
Cash and cash equivalents at 1 January		**149,271**	245,859
Effect of foreign exchange rate changes		**316**	213
Cash and cash equivalents at 31 December	20(a)	**111,086**	149,271

Cash flow from operating activities includes:

	2013 HK$'000	2012 HK$'000
Interest received	**153**	133

The notes on pages 41 to 99 form part of these financial statements.

Notes to the Financial Statements

1. General information

REORIENT GROUP LIMITED (the "Company") is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Suites 1101-03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (collectively the "Group") and the Group's interest in an associate.

The principal activities of the Group are securities broking, placing and underwriting, and provision of consultancy and advisory services. The principal activities and other particulars of its principal subsidiaries are set out in note 14 to the financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. Significant accounting policies *(Continued)*

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the derivative financial instruments are stated at their fair value as explained in note 2(j).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, 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 judgements 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.

(c) Changes in 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 and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

— 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*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of other new or amended HKFRSs are discussed below:

2. Significant accounting policies *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12, Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 14 and 15.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. Significant accounting policies *(Continued)*

(c) Changes in accounting policies *(Continued)*

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these financial statements.

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

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities in note 28(g).

(d) Subsidiaries and non-controlling interests

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. Significant accounting policies *(Continued)*

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

2. Significant accounting policies *(Continued)*

(e) Associates *(Continued)*

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 2(i)(i)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

2. Significant accounting policies *(Continued)*

(f) Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Fixed assets

Fixed assets are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

—	Leasehold improvements	Shorter of the unexpired term of lease and 5 years
—	Office equipment and furniture	5 years
—	Computers and software	3-5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

2. Significant accounting policies *(Continued)*

(i) Impairment of assets

(i) Impairment of investments in subsidiaries, associates, accounts receivable and other receivables

Investments in subsidiaries, associates, accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount in the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

— For accounts receivable and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

2. Significant accounting policies *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— fixed assets; and

— intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. Significant accounting policies *(Continued)*

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

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

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

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

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

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

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

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

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

2. Significant accounting policies *(Continued)*

(k) Accounts receivable and other receivables

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Intangible assets

The intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(m) Accounts payable and other payables

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and demand deposits with banks.

2. Significant accounting policies *(Continued)*

(p) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit or loss as incurred.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. Significant accounting policies *(Continued)*

(q) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2. Significant accounting policies *(Continued)*

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Brokerage commission income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income

Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income are recognised when the related services are rendered.

2. Significant accounting policies *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

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

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

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

(u) Fiduciary activities

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the bank balances — trust and segregated accounts within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

2. Significant accounting policies *(Continued)*

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2. Significant accounting policies *(Continued)*

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Revenue

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

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

	2013	2012
	HK$'000	*HK$'000*
Brokerage commission	**43,321**	34,179
Consultancy and advisory fee	**19,446**	12,484
Placing and underwriting commission	**14,596**	—
Interest income from clients	**153**	133
	77,516	46,796

4. Other operating income

	2013	2012
	HK$'000	*HK$'000*
Handling and settlement fees	**854**	1,120
Other interest income	**597**	66
	1,451	1,186

5. Loss before taxation

Loss before taxation is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on bank loans and overdrafts	**49**	34
Others	**705**	281
	754	315
(b) Staff costs		
Directors' remuneration *(note 7)*	**21,623**	20,936
Other staff costs		
— Commission paid	**132**	124
— Salaries, allowances and benefits in kind	**102,083**	80,125
— Contributions to Mandatory Provident Fund	**250**	595
	124,088	101,780
(c) Other operating expenses		
Auditors' remuneration	**1,100**	1,000
Legal and professional costs	**7,790**	7,490
Operating lease payments — property rentals	**5,767**	5,413
Information, data and communication expenses	**12,627**	10,822
Provision for impairment loss	**40**	289
Net exchange loss	**568**	901

6. Income tax

(a) No provision for Hong Kong profits tax was made for both years as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the current and prior years.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(87,360)**	(96,307)
Notional tax on loss before taxation, calculated at 16.5% (2012: 16.5%)	**(14,414)**	(15,891)
Tax effect of non-deductible expenses	**189**	4,800
Tax effect of non-taxable revenue	**(4)**	(4,432)
Tax effect of tax losses utilised	**(1,545)**	(207)
Tax effect of tax losses not recognised	**15,598**	15,730
Others	**176**	—
Actual tax expense	**—**	—

7. Directors' remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2013			
	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Contributions to Mandatory Provident Fund *HK$'000*	Total *HK$'000*
Executive directors				
Ko Chun Shun, Johnson	240	—	21	261
Jason Boyer	—	11,720	15	11,735
Brett McGonegal	—	7,820	15	7,835
Chen Shengjie	240	—	22	262
Tsoi Tong Hoo, Tony	240	—	21	261
Ko Wing Yan, Samantha	240	—	21	261
Independent non-executive directors				
Liu Zhengui	240	12	—	252
Ding Kebai	240	12	—	252
Chu Chung Yue, Howard	240	12	—	252
Dr. Wong Yau Kar, David	240	12	—	252
Total	1,920	19,588	115	21,623

7. Directors' remuneration *(Continued)*

	2012			
	Directors' fees	Salaries, allowances and benefits in kind	Contributions to Mandatory Provident Fund	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Ko Chun Shun, Johnson	240	—	12	252
Jason Boyer[1]	—	7,720	14	7,734
Brett McGonegal[1]	—	7,820	14	7,834
Chen Shengjie	240	—	12	252
Tsoi Tong Hoo, Tony	240	—	12	252
Ko Wing Yan, Samantha	240	—	12	252
Zhang Binghua[2]	120	—	6	126
Kwan Angelina Agnes[4]	240	3,200	38	3,478
Independent non-executive directors				
Liu Zhengui	240	12	—	252
Ding Kebai	240	12	—	252
Chu Chung Yue, Howard	240	12	—	252
Dr. Wong Yau Kar, David[3]	—	—	—	—
Total	2,040	18,776	120	20,936

Notes:

1 Appointed as executive director on 4 June 2012.

2 Resigned as executive director on 4 June 2012.

3 Appointed as independent non-executive director on 31 December 2012.

4 Resigned as executive director on 31 December 2012.

8. Individual with highest emoluments

Of the five individuals with the highest emoluments, two (2012: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2012: three) individuals are as follows:

	2013	2012
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**15,445**	10,953
Inducement to join the Group	**—**	905
Contributions to Mandatory Provident Fund	**45**	40
	15,490	11,898

The emoluments of the five (2012: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2013	2012
HK$3,500,001 to HK$4,000,000	**2**	2
HK$4,000,001 to HK$4,500,000	**—**	1
HK$7,500,001 to HK$8,000,000	**2**	2
HK$11,500,001 to HK$12,000,000	**1**	—

9. Loss attributable to equity shareholders of the Company

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$172,000 (2012: HK$12,423,000) which has been dealt with in the financial statements of the Company.

10. Loss per share

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2013 of HK$87,385,000 (2012: HK$96,068,000), and the weighted average number of shares in issue during the year ended 31 December 2013 of 399,067,129 (2012: 384,494,527).

Weighted average number of ordinary shares

	2013	2012
Issued ordinary shares at 1 January	**384,494,527**	384,494,527
Effect of issue of subscription shares *(note 25(e)(ii))*	**14,572,602**	—
Weighted average number of ordinary shares at 31 December	**399,067,129**	384,494,527

(b) Diluted loss per share

There were no potential dilutive ordinary shares for the years ended 31 December 2013 and 2012, therefore basic loss per share equals diluted loss per share for both years.

11. 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.

11. Segment reporting *(Continued)*

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

	2013			
	Securities brokerage	Securities placing and underwriting	Consultancy and advisory services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external parties	43,321	14,596	19,446	77,363
Interest income from clients	153	—	—	153
Net gain on financial assets at fair value through profit or loss	—	—	8,000	8,000
Allocated other income	854	—	—	854
Allocated staff costs	(73,548)	(9,301)	(21,458)	(104,307)
Allocated administrative costs	(27,623)	(3,211)	(6,006)	(36,840)
Allocated finance costs	(675)	(75)	—	(750)
Reportable segment (loss)/profit	(57,518)	2,009	(18)	(55,527)
Unallocated other income				597
Share of results of an associate				171
Unallocated staff costs				(19,781)
Depreciation				(3,385)
Finance costs				(4)
Legal and professional expenses				(5,240)
Other central administrative costs				(4,191)
Loss for the year				(87,360)

11. Segment reporting *(Continued)*

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

	2012			
	Securities brokerage *HK'000*	Securities placing and underwriting *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Revenue from external parties	34,179	—	12,484	46,663
Interest income from clients	133	—	—	133
Allocated staff costs	(71,218)	(2,055)	(11,428)	(84,701)
Allocated administrative costs	(26,351)	(795)	(4,884)	(32,030)
Allocated finance costs	(302)	(6)	—	(308)
Reportable segment loss	(63,559)	(2,856)	(3,828)	(70,243)
Other income				2,303
Unallocated staff costs				(17,079)
Depreciation				(1,655)
Finance costs				(7)
Legal and professional expenses				(5,454)
Other central administrative costs				(4,172)
Loss for the year				(96,307)

(b) Segment assets and liabilities

As the assets and liabilities are regularly reviewed by the executive directors of the Company as a whole, the measure of total assets and liabilities 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 the Republic of Korea.

(d) Information about major customers

		Revenue from major customers	
	Operating Segment	**2013** ***HK$'000***	2012 *HK$'000*
Customer A	Securities brokerage	**N/A**[1]	9,545

[1] No customer accounted for more than 10% of the total revenue of the Group for the year ended 31 December 2013.

12. Fixed assets

The Group	Leasehold improvements *HK$'000*	Office equipment and furniture *HK$'000*	Computers and software *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2012	4,914	2,425	2,966	10,305
Additions	270	102	29	401
At 31 December 2012	5,184	2,527	2,995	10,706
At 1 January 2013	5,184	2,527	2,995	10,706
Additions	1,618	574	543	2,735
At 31 December 2013	**6,802**	**3,101**	**3,538**	**13,441**
Accumulated depreciation				
At 1 January 2012	722	317	346	1,385
Charge for the year	1,333	495	596	2,424
At 31 December 2012	2,055	812	942	3,809
At 1 January 2013	2,055	812	942	3,809
Charge for the year	2,113	588	684	3,385
At 31 December 2013	**4,168**	**1,400**	**1,626**	**7,194**
Net carrying amount				
At 31 December 2013	**2,634**	**1,701**	**1,912**	**6,247**
At 31 December 2012	3,129	1,715	2,053	6,897

13. Intangible assets

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Trading right, at cost/valuation		
At 1 January	**6,000**	6,000
Additions	**550**	—
At 31 December	**6,550**	6,000
Accumulated amortisation and impairment		
At 1 January and 31 December	**(6,000)**	(6,000)
Carrying amount		
At 31 December	**550**	—

As at 31 December 2013, the Group had three (2012: two) trading rights in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and one (2012: one) trading right in the Hong Kong Futures Exchange Limited (the "Futures Exchange"), of which two trading rights in the Stock Exchange and one trading right in the Futures Exchange were fully amortised as at 31 December 2010.

During the year ended 31 December 2013, the Group acquired one trading right in the Stock Exchange of a cost of HK$550,000 (2012: nil). The trading right is not amortised for the year ended 31 December 2013 as it has no expiry date.

14. Interests in subsidiaries

	The Company	
	2013	2012
	HK$'000	*HK$'000*
Investment in shares		
Unlisted shares, at cost	**13,449**	13,449
Less: allowance for impairment loss	**(4,555)**	(4,555)
	8,894	8,894
Due from subsidiaries		
Loan to a subsidiary	**100,000**	100,000
Subordinated loans to a subsidiary	**5,815**	—
Amounts due from subsidiaries	**244,222**	168,105
	350,037	268,105
Interests in subsidiaries	**358,931**	276,999

(a) Amounts due from subsidiaries

As at 31 December 2013 and 2012, the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts are not required to be repaid within one year.

The two subordinated loans to a subsidiary of HK$2,326,000 and HK$3,489,000 respectively as at 31 December 2013 (2012: nil and nil) were unsecured and bore interest at a rate of 5% per annum. These subordinated loans are repayable on 8 April 2016 and 20 May 2016 respectively.

A loan to a subsidiary of HK$100,000,000 as at 31 December 2013 and 2012 was unsecured, bore interest at a rate of 5% per annum and has no fixed term of repayment. The loan is not required to be repaid within one year. The carrying amount approximates its fair value as at the reporting date.

14. Interests in subsidiaries *(Continued)*

(b) Details of the subsidiaries principally affected the results and assets of the Group

Name of company	Place of incorporation	Issued and fully paid-up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
REORIENT Financial Markets Limited	Hong Kong	HK$125,000,000	—	100%	Securities broking, securities placing and underwriting, and provision of consultancy and advisory services
REORIENT Financial Markets (USA) LLC	USA	US$550,000	—	100%	Securities broking
REORIENT Capital Markets Limited	Hong Kong	HK$5,000,000 (2012: HK$1)	—	100%	Securities broking
REORIENT Finance Limited	Hong Kong	HK$1	100%	—	Money lending
REORIENT Global Limited	Hong Kong	HK$1	100%	—	Provision of administrative services
Fast Capital Holdings Limited	Hong Kong	HK$10,000	—	100%	Investment holding
REORIENT Holdings Limited	Hong Kong	HK$1	100%	—	Investment holding
Mansion House Financial Holdings Limited	British Virgin Islands	US$955,000	100%	—	Investment holding and provision of administrative services
Wise Points Holdings Limited	British Virgin Islands	US$1	100%	—	Investment holding
Profit Trigger Limited	British Virgin Islands	US$1	100%	—	Holding of brands and trademarks
REORIENT Asset Management Limited	British Virgin Islands	US$1	—	100%	Investment holding
Beijing Chengtong REORIENT Investment Consultancy Limited (北京誠通瑞東投資顧問有限公司)	PRC	RMB10,000,000	—	51%	Investment management, consulting and advisory services
Beijing REORIENT Universal Investment Consultancy Limited (北京瑞東環球投資咨詢有限公司)	PRC	RMB1,000,000	—	100%	Investment consulting and advisory services

14. Interests in subsidiaries *(Continued)*

(c) Information about material non-controlling interest

The following table lists out the information relating to Beijing Chengtong Reorient Investment Consultancy Limited, the only subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2013 HK$'000	2012 HK$'000
NCI percentage	**49%**	49%
Current assets	**12,341**	12,036
Non-current assets	**20**	180
Current liabilities	**(36)**	(249)
Non-current liabilities	**—**	—
Net assets	**12,325**	11,967
Carrying amount of NCI	**6,022**	5,847
Revenue	**367**	264
Profit/(loss) for the year	**53**	(489)
Total comprehensive income	**358**	(287)
Profit/(loss) allocated to NCI	**25**	(239)
Dividend paid to NCI	**—**	—
Cash flows from operating activities	**(5,755)**	(329)
Cash flows from investing activities	**513**	(288)
Cash flows from financing activities	**—**	12,254

15. Interest in an associate

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Share of net assets	**26,272**	—	**—**	—
Goodwill	**6,804**	—	**—**	—
	33,076	—	**—**	—
Less: impairment loss	**—**	—	**—**	—
	33,076	—	**—**	—

Name of associate	Place of incorporation	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by a subsidiary	Principal Activities
EQ Partners Co. Ltd.	The Republic of Korea	25%	25%	Business of private equity funds as the executive partners and provision of management advisory services

The above associate is accounted for using the equity method in the consolidated financial statements.

On 15 February 2013, the Group purchased 25% equity interest in EQ Partners Co. Ltd, for a consideration of approximately HK$32.9 million. As part of the acquisition, the Group received a put option issued by the seller. Details of the acquisition and the put option were disclosed in the announcement of the Company dated 18 February 2013. As at 31 December 2013, the management considers the value of this option to be minimal as the likelihood of exercising the put option is remote.

15. Interest in an associate *(Continued)*

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013	2012
	HK$'000	HK$'000
Gross amounts of the associate		
Current assets	57,180	—
Non-current assets	52,445	—
Current liabilities	(3,829)	—
Non-current liabilities	(708)	—
Equity	105,088	—
Revenue	46,756	—
Profit from continuing operations	10,724	—
Reconciled to the group's interest in the associate		
Gross amounts of net assets of the associate	105,088	—
Group's effective interest	25%	—
Group's share of net assets of the associate	26,272	—
Goodwill	6,804	—
Carrying amount in the consolidated financial statements	33,076	—

16. Other non-current assets

	The Group	
	2013	2012
	HK$'000	HK$'000
Statutory deposits with exchanges and clearing house	805	735

17. Financial assets at fair value through profit or loss

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Investments designated as at fair value through profit or loss, at fair value		
Unlisted derivatives	**13,629**	—

18. Accounts receivable

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts receivable arising from securities brokerage:		
— Cash clients	**14,096**	35,435
— Margin clients	**26,122**	26,124
— Clearing house, brokers and dealers	**54,734**	161,831
	94,952	223,390
Accounts receivable arising from consultancy and advisory services		
— Corporate clients	**1,381**	1,692
	96,333	225,082
Less: allowance for doubtful debts	**(26,606)**	(26,568)
	69,727	198,514

The fair value of accounts receivable approximates its carrying amount.

18. Accounts receivable *(Continued)*

(a) Ageing analysis of accounts receivable

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

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Current	**65,905**	196,676
Less than 1 month past due	**1,974**	1,728
1 to 3 months past due	**809**	110
More than 3 months past due	**1,039**	—
Amounts past due	**3,822**	1,838
	69,727	198,514

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness.

(b) Accounts receivable which are past due but not impaired

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK$3,822,000 (2012: HK$1,838,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

Accounts receivable from cash clients which are past due but not impaired represent client trades on The Stock Exchange of Hong Kong Limited which are unsettled beyond the settlement date. No impairment loss was provided for these balances as the Group holds securities collateral for those balances with fair values in excess of the past due amounts. Collaterals held against such accounts receivable are publicly traded securities.

Accounts receivable from corporate clients which are past due but not impaired represent accounts receivable arising from provision of corporate finance, consultancy and advisory services which have not yet been settled and aged by their invoice date. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation, and normally settle the outstanding balances within one to two months from the date of invoice.

18. Accounts receivable *(Continued)*

(c) Impairment of accounts receivable

The Group has a policy for allowance for doubtful debts which is based on the evaluation of collectability, ageing analysis of accounts and management's judgement including the creditworthiness, collaterals and the past collection history of each client.

The movement of the allowance for doubtful debts during the year is as follows:

	The Group	
	2013	2012
	HK$'000	*HK$'000*
At 1 January	**26,568**	26,279
Impairment loss recognised	**40**	289
Amount recovered during the year	**(2)**	—
At 31 December	**26,606**	26,568

Included in the allowance for doubtful debts were individually impaired accounts receivable which have financial difficulties in making payments. Among the allowance for doubtful debts, approximately HK$26,122,000 (2012: HK$26,124,000) relates to individually impaired margin clients accounts receivable while HK$484,000 (2012: HK$444,000) relates to individually impaired accounts receivable arising from the business of dealing in securities.

The Group ceased providing margin financing service since 2004 and the balance represented the past due amounts due from margin clients brought forward from 2004.

19. Other receivables, deposits and prepayments

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Rental and utility deposits	**1,475**	1,565	**—**	—
Prepayments and other deposits	**5,301**	5,843	**145**	145
Other receivables	**5,675**	7,249	**—**	—
	12,451	14,657	**145**	145

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

20. Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposit with bank	**20,000**	20,000	**—**	—
Cash at bank and in hand	**91,086**	129,271	**421**	597
	111,086	149,271	**421**	597

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of business of the regulated activities. The Group has classified the bank balances — Trust and segregated accounts under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2013, client money maintained in segregated accounts amounted to HK$22,753,000 (2012: HK$41,713,000).

20. Cash and cash equivalents *(Continued)*

(b) Reconciliation of loss before taxation to cash used in operations:

	2013	2012
	HK$'000	*HK$'000*
Loss before taxation	**(87,360)**	(96,307)
Adjustments for:		
Share of results of an associate	**(171)**	—
Depreciation	**3,385**	2,424
Finance costs	**754**	315
Interest income	**(597)**	(67)
Impairment loss on accounts receivable	**40**	289
Recovery of impairment loss on accounts receivable	**(2)**	—
	(83,951)	(93,346)
Changes in working capital:		
Increase in other non-current assets	**(70)**	(305)
Increase in financial assets at fair value through profit or loss	**(13,629)**	—
Decrease/(increase) in accounts receivable	**128,749**	(188,727)
Decrease/(increase) in other receivables, deposits and prepayments	**2,206**	(10,940)
Decrease in bank balances — trust and segregated accounts	**18,960**	8,642
(Decrease)/increase in accounts payable	**(152,716)**	180,540
Increase in accrued expenses and other payables	**16,363**	2,255
Decrease in amounts due to directors	**(24)**	(259)
Net cash used in operations	**(84,112)**	(102,140)

21. Accounts payable

	The Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts payable		
— Cash clients	**82,946**	215,193
— Brokers and dealers	**9**	20,478
	82,955	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$22,753,000 (2012: HK$41,713,000).

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

22. Accrued expenses and other payables

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accrued staff costs	**21,365**	2,763	**24**	—
Stamp duty, trading levy and trading fee payables	**295**	610	**—**	—
Other payables	**4,160**	6,084	**16**	46
	25,820	9,457	**40**	46

23. Employee retirement benefits — defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2012). Contributions to the plan vest immediately.

24. Deferred taxation

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
Deferred tax liabilities/(assets) arising from:			
At 1 January 2012	555	(555)	—
Charged/(credited) to profit or loss	399	(399)	—
At 31 December 2012	954	(954)	—
At 1 January 2013	954	(954)	—
(Credited)/charged to profit or loss	(176)	176	—
At 31 December 2013	**778**	**(778)**	**—**

At 31 December 2013, no deferred tax asset has been recognised in respect of the tax losses of HK$375 million (2012: HK$288 million) to the extent that it is not probable that future taxable profit against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

25. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on page 39. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

25. Capital, reserves and dividends *(Continued)*

(a) Movements in components of equity *(Continued)*

The Company

	Share premium	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2012	411,925	(126,156)	285,769
Total comprehensive income for the year	—	(12,423)	(12,423)
At 31 December 2012 and 1 January 2013	411,925	(138,579)	273,346
Subscription of ordinary shares	82,080	—	82,080
Cost of issuance of subscription shares	(392)	—	(392)
Total comprehensive income for the year	—	(172)	(172)
At 31 December 2013	**493,613**	**(138,751)**	**354,862**

(b) Nature and purpose of reserves

(i) Share premium reserve

The application of the share premium account is governed by section 48B of the Hong Kong Companies Ordinance.

(ii) Asset revaluation reserve

The asset revaluation reserve arose on the revaluation of the trading rights in the exchanges in Hong Kong in prior years. The carrying value of the trading rights have been fully amortised in previous years. The remaining revaluation reserve will be realized when the Group dispose of the trading rights.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

25. Capital, reserves and dividends *(Continued)*

(c) Distributability of reserves

As at 31 December 2013, the Company did not have any reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of section 79B of the Hong Kong Companies Ordinance (2012: nil).

(d) Dividends

No dividend was paid or proposed for the year ended 31 December 2013 (2012: nil), nor has any dividend been proposed since the end of the reporting period.

(e) Share capital

(i) Authorised and issued share capital

	2013		2012	
	Number of shares	**Nominal value**	Number of shares	Nominal value
		HK$'000		*HK$'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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. Capital, reserves and dividends *(Continued)*

(e) Share capital *(Continued)*

(ii) Issue of subscription shares

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. After deducting the expenses in connection with the private placement amounting to HK$392,000, the net proceeds from placement of ordinary shares is HK$81,958,000. 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.

(iii) Issue and allotment of shares

On 23 November 2013, the Company entered into a share swap agreement with DVN (Holdings) Limited ("DVN") pursuant to which (1) DVN has agreed to subscribe for and the Company has agreed to allot and issue to DVN 17,805,178 new shares, and in return (2) the Company has agreed to subscribe for and DVN has agreed to allot and issue to the Company 56,976,571 new shares, subject to the terms and conditions of the share swap agreement. Details of the share swap arrangement have been disclosed in the Company's announcement dated 24 November 2013 and set out in note 31.

25. Capital, reserves and dividends *(Continued)*

(f) Capital management

Capital comprises of share capital and reserves stated on the Group's and the Company's statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity analyses. Neither the Company nor its subsidiaries, except for Reorient Financial Markets Limited ("RFM"), is subject to externally imposed capital requirements. RFM is regulated by the Securities and Futures Commission ("SFC") and is required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors RFM's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by SFC. Under the FRR, RFM must maintain its liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities whichever is higher. The required information was filed with SFC on a monthly basis. RFM was in compliance with the capital requirements imposed by FRR during the current and prior year.

26. Share option

The Company has a share option scheme which was adopted on 21 July 2011 whereby the directors of the Company are authorised, at their discretion, to invite eligible participant (employee, director, consultant of each member of the Group) to take up options to subscribe for shares of the Company.

As at 31 December 2013 and 2012, there were no share options granted under the share option scheme of the Company.

27. Commitments

(a) Operating lease commitments

As lessee

As at 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**5,077**	5,033
After one year but within five years	**1,018**	5,584
	6,095	10,617

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

(b) Capital Commitments

	2013	2012
	HK$'000	*HK$'000*
Fixed assets		
— Contracted but not provided	**—**	1,238

28. Financial risk management and fair value of financial instrument

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts and other receivables and bank balances (segregated and general accounts). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 6% (2012: 6%) and 6% (2012: 6%) of the total accounts and other receivables was due from the Group's largest customer and the five largest customers respectively.

Bank balances (segregated and general accounts) are placed with high-credit-quality institutions and management considers that the credit risk for such is minimal.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in note 18.

28. Financial risk management and fair value of financial instrument *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company, as applicable, can be required to pay:

The Group

	Contractual undiscounted cash outflow		
	Within 1 year or on demand *HK$'000*	**Total** *HK$'000*	**Carrying amount at 31 December** *HK$'000*
As at 31 December 2013			
Accounts payable	**82,955**	**82,955**	**82,955**
Accrued expenses and other payables	**25,820**	**25,820**	**25,820**
Amounts due to directors	**480**	**480**	**480**
	109,255	**109,255**	**109,255**

28. Financial risk management and fair value of financial instrument *(Continued)*

(b) Liquidity risk *(Continued)*

The Group *(Continued)*

	Contractual undiscounted cash outflow		
	Within 1 year or on demand *HK$'000*	Total *HK$'000*	Carrying amount at 31 December *HK$'000*
As at 31 December 2012			
Accounts payable	235,671	235,671	235,671
Accrued expenses and other payables	9,457	9,457	9,457
Amounts due to directors	504	504	504
	245,632	245,632	245,632

The Company

	Contractual undiscounted cash outflow		
	Within 1 year or on demand ***HK$'000***	**Total** ***HK$'000***	**Carrying amount at 31 December** ***HK$'000***
As at 31 December 2013			
Accrued expenses and other payables	**40**	**40**	**40**
Amounts due to directors	**480**	**480**	**480**
	520	**520**	**520**

28. Financial risk management and fair value of financial instrument *(Continued)*

(b) Liquidity risk *(Continued)*

The Company *(Continued)*

	Contractual undiscounted cash outflow		
	Within 1 year or on demand	Total	Carrying amount at 31 December
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2012			
Accrued expenses and other payables	46	46	46
Amounts due to directors	504	504	504
	550	550	550

(c) Interest rate risk

The Group's exposure to cashflow interest rate risk is mainly attributable to its bank balances (trust, segregated and general accounts). The Group's fair value interest rate risk relates primarily to fixed-rate overdue accounts receivable and fixed deposits held under bank balance — trust and segregated accounts.

The Group currently does not have any interest rate hedging policy. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

28. Financial risk management and fair value of financial instrument *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting period.

The Group

	2013		2012	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	***HK'000***	%	*HK$'000*
Assets				
General account bank balance	**0.001 — 0.01**	**48,709**	0.001 — 0.01	89,634
Trust account bank balance	**0.001 — 0.01**	**583**	0.001 — 0.01	1,331
		49,292		90,965

(ii) Sensitivity analysis

	2013	2012
Assume interest rate increased by	**1%**	1%
Effect on loss after tax *(HK$'000)*	**412**	910

The sensitivity analysis above has been determined assuming that the increase in interest rates had occurred at the end of the reporting period and has been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date. A 100 basis points (2012: 100 basis points) increase in interest rates represents management's assessment of a reasonably possible change in interest rates. The management considers the effect of decrease in interest rates is not significant to the Company.

28. Financial risk management and fair value of financial instrument *(Continued)*

(d) Foreign currency risk

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars ("USD"), Korean Won ("KRW"), Renminbi ("RMB") and Japanese Yen ("JPY"). As the Hong Kong dollar is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its interest in an associate and bank balances in currencies other than USD, such as KRW, JPY and RMB. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Group's functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

The Group

	2013							
	United States Dollars	Japanese Yen	China Renminbi	Korean Won	Australian Dollars	United Kingdom Sterling	Singapore Dollars	Canadian Dollars
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Interest in an associate	—	—	—	33,076	—	—	—	—
Accounts and other receivables	12	—	—	—	—	2	234	—
Bank balance — trust and segregated accounts	901	—	—	—	601	78	22	17
Cash and cash equivalents	9,971	121	11,980	—	298	152	244	52
Accounts and other payables	(901)	—	—	—	(601)	(78)	(255)	(17)
Net exposure to currency risk	9,983	121	11,980	33,076	298	154	245	52

28. Financial risk management and fair value of financial instrument *(Continued)*

(d) Foreign currency risk *(Continued)*

(i) ***Exposure to currency risk*** *(Continued)*

The Group *(Continued)*

	2012						
	United States Dollars	Japanese Yen	China Renminbi	Australian Dollars	United Kingdom Sterling	Singapore Dollars	Canadian Dollars
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts and other receivables	9	20,250	—	—	—	3,497	—
Bank balance — trust and segregated accounts	1,032	—	—	746	70	30	19
Cash and cash equivalents	1,321	892	3,799	916	159	258	56
Accounts and other payables	(1,031)	(20,478)	—	(746)	(68)	(3,524)	(19)
Net exposure to currency risk	1,331	664	3,799	916	161	261	56

28. Financial risk management and fair value of financial instrument *(Continued)*

(d) Foreign currency risk *(Continued)*

(ii) Sensitivity analysis

The Group's significant net exposure to Renminbi and Korean Won at the reporting date and the estimated impact to the Group's profit/(loss) for the year had the foreign exchange rates of Renminbi and Korean Won changed at that date are illustrated below. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

The Group

	2013			2012		
	Net assets in foreign currency	**Appreciation/ (depreciation) in foreign currency**	**Effect on loss after tax and retained profits**	Net assets in foreign currency	Appreciation/ (depreciation) in foreign currency	Effect on loss after tax and retained profits
	HK$'000	***%***	***HK$'000***	*HK$'000*	*%*	*HK$'000*
Renminbi	**11,980**	**10**	**1,000**	3,799	10	317
		(10)	**(1,000)**		(10)	(317)
Korean Won	**33,076**	**10**	**2,762**	—	—	—
		(10)	**(2,762)**		—	—

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the reporting period. The analysis is performed on the same basis for 2012.

28. Financial risk management and fair value of financial instrument *(Continued)*

(e) Equity price risk

The Group is exposed to equity price changes arising from an unlisted derivative classified as financial asset at fair value through profit or loss (see note 17) held by the Group. Gains and losses arising from changes in the fair value of financial asset at fair value through profit or loss are dealt with in consolidated income statement. The performance is monitored regularly, together with an assessment of its relevance to the Group's strategic plans.

The underlying equity securities of the Group's unlisted derivative are listed on The Stock Exchange of Hong Kong Limited. At 31 December 2013, it is estimated that an increase/decrease of 5% in the relevant stock, with all other variables held constant, would have increased/decreased the group's profit after tax (and retained earnings) as follows:

The Group

	2013	
Change in the relevant equity price risk variable:		**Effect on profit after tax and retained profit**
	%	*HK$'000*
Increase	**5**	**952**
Decrease	**(5)**	**(932)**

28. Financial risk management and fair value of financial instrument *(Continued)*

(f) Fair value measurement

Financial instrument measured at fair value

Fair value hierarchy

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

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

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

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

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

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

The Group

	2013
	Level 2
Assets	***HK$'000***
Financial asset designated at fair value through profit or loss	
— Unlisted derivatives	**$13,629**

There was no financial instrument measured at fair value as at 31 December 2012.

28. Financial risk management and fair value of financial instrument *(Continued)*

(g) Offsetting financial assets and financial liabilities

(i) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	As at 31 December 2013				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial assets	Gross amount of recognised financial assets *HK$'000*	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position *HK$'000*	Net amount of financial assets presented in the consolidated statement of financial position *HK$'000*	Cash collateral paid *HK$'000*	Net amount *HK$'000*
Accounts receivable due from clearing house	**60,311**	**(11,129)**	**49,182**	**2,118**	**51,300**

	As at 31 December 2012				
				Related amounts not offset in the consolidated statement of financial position	
Type of financial assets	Gross amount of recognised financial assets *HK$'000*	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position *HK$'000*	Net amount of financial assets presented in the consolidated statement of financial position *HK$'000*	Cash collateral paid *HK$'000*	Net amount *HK$'000*
Accounts receivable due from clearing house	215,431	(80,388)	135,043	3,010	138,053

28. Financial risk management and fair value of financial instrument *(Continued)*

(g) Offsetting financial assets and financial liabilities *(Continued)*

(ii) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

As at 31 December 2013

Type of financial liabilities	Gross amount of recognised financial liabilities *HK$'000*	Gross amount of recognised financial assets offset in the consolidated statement of financial position *HK$'000*	Net amount of financial liabilities presented in the consolidated statement of financial position *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Financial assets other than cash collateral *HK$'000*	Net amount *HK$'000*
Accounts payable due to clearing house	—	—	—	—	—

As at 31 December 2012

Type of financial liabilities	Gross amount of recognised financial liabilities *HK$'000*	Gross amount of recognised financial assets offset in the consolidated statement of financial position *HK$'000*	Net amount of financial liabilities presented in the consolidated statement of financial position *HK$'000*	Related amounts not offset in the consolidated statement of financial position: Financial assets other than cash collateral *HK$'000*	Net amount *HK$'000*
Accounts payable due to clearing house	—	—	—	—	—

28. Financial risk management and fair value of financial instrument *(Continued)*

(g) Offsetting financial assets and financial liabilities *(Continued)*

(iii) The tables below reconcile the "net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the accounts receivable and accounts payable presented in the consolidated statement of financial position.

	2013 HK$'000	2012 HK$'000
Net amount of financial assets after offsetting as stated above	**49,182**	135,043
Financial assets not in scope of offsetting disclosure	**47,151**	90,039
Impairment losses	**(26,606)**	(26,568)
	69,727	198,514
Net amount of financial liabilities after offsetting as stated above	**—**	—
Financial liabilities not in scope of offsetting disclosure	**82,955**	235,671
	82,955	235,671

29. Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2013.

30. Material related party transactions

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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2013	2012
	HK$'000	*HK$'000*
Short-term benefits	**48,277**	48,756
Post-employment benefits	**238**	174
	48,515	48,930

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Other transactions with related parties

	2013	2012
	HK$'000	*HK$'000*
Placing commission *(note (i))*	**13,465**	—
Consultancy fee income *(note (ii))*	**5,629**	—
Advisory fee income *(note (iii))*	**965**	1,693
	20,059	1,693

Note:

(i) On 6 June 2013, Gainhigh has arranged to place 27,000,000 existing shares of the Company at the placing price of HK$3.05 per share to independent investors. RFM, acting as the broker of Gainhigh, received a commission income at a rate of 0.25% of the total placing consideration. On 13 December 2013, Gain Alpha Finance Limited ("Gain Alpha") has arranged to place 600,000,000 shares of China WindPower Limited ("China WindPower") at the placing price of HK$0.44 per share to independent investors. RFM acting as the broker of Gain Alpha, received a commission income at a rate of 2.25% of the total placing consideration. Gain Alpha is a company wholly-owned by our chairman Mr. Ko Chun Shun, Johnson ("Mr. Ko"). These two related party transactions constituted connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities (the "Listing Rules").

On 16 December 2013, China Jiuhao Health Industry Corporation Limited ("China Jiuhao Health") has arranged to place 522,814,285 of its own shares at the placing price of HK$0.35 per share to independent investors. RFM acting as the broker of China Jiuhao Health, received a commission income at a rate of 4% of the total placing consideration.

30. Material related party transactions *(Continued)*

(b) Other transactions with related parties *(Continued)*

Note: (Continued)

(ii) The Group provided consultancy services to DVN where our chairman Mr. Ko is a substantial shareholder in this company. DVN granted RFM a share option to subscribe for 22,790,628 new DVN shares at a subscription price of HK$0.80 per share as consideration. Details of the share option have been disclosed in the Company's announcement dated 23 November 2013. For valuation of the share option, refer to note 17 and note 28(f).

(iii) The Group provided advisory services to China WindPower where our chairman Mr. Ko is a substantial shareholder in this company. The Group also provided advisory services to China Jiuhao Health where one of our independent non-executive directors, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director of this company.

31. Events after the reporting period

Subsequent to the end of the reporting period, the Company allotted and issued 17,805,178 new shares of the Company to DVN and in return DVN allotted and issued 56,976,571 new shares of DVN to the Company on 14 January 2014 pursuant to the share swap agreement dated 23 November 2013. Details of the share swap agreement have been disclosed in the Company's announcement dated 23 November 2013. No adjustments have been made to these financial statements as a result of the share swap agreement.

32. Immediate and ultimate holding company

The directors consider the immediate parent and ultimate holding company of the Company as at 31 December 2013 to be Gainhigh Holdings Limited which is incorporated in the British Virgin Islands and beneficially owned by Mr. Ko. Gainhigh Holdings Limited does not produce financial statements available for public use.

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2013

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	Unspecified

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five Year Financial Summary

	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**77,516**	46,796	22,207	14,041	3,769
(Loss)/profit before taxation	**(87,360)**	(96,307)	(8,802)	2,510	(12,822)
Taxation	**—**	—	—	—	—
(Loss)/profit for the year attributable to equity shareholders of the Company	**(87,360)**	(96,307)	(8,802)	2,510	(12,822)
Basic (loss)/earnings per share *(HK$)*	**(0.22)**	(0.25)	(0.07)	0.08	(0.42)
ASSETS AND LIABILITIES					
Fixed assets	**6,247**	6,897	8,920	73	100
Intangible assets	**550**	—	—	—	—
Interest in an associate	**33,076**	—	—	—	—
Other non-current assets	**805**	735	430	475	430
Net current assets/(liabilities)	**120,391**	158,523	246,911	(107,639)	(109,731)
Non-current liabilities	**—**	—	—	—	(400)
	161,069	166,155	256,261	(107,091)	(109,601)
Share capital	**4,115**	3,845	3,845	308,701	308,701
Share premium	**494,116**	412,428	412,428	42,395	42,395
Other reserves	**(343,184)**	(255,965)	(160,012)	(458,187)	(460,697)
	155,047	160,308	256,261	(107,091)	(109,601)
Non-controlling interests	**6,022**	5,847	—	—	—
Total equity/(deficit)	**161,069**	166,155	256,261	(107,091)	(109,601)

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