東方滙財證券國際控股有限公司

ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code：8001

ORIENT

Annual Report 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Orient Securities International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lam Shu Chung *(Chairman)*
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-Executive Director

Mr. Lum Pak Sum

Independent non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr See Lee Seng Reason

AUTHORISED REPRESENTATIVES

Mr. Lam Shu Chung
Mr. Law Fei Shing

AUDIT COMMITTEE MEMBERS

Mr. Lee Siu Leung *(Chairman)*
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason

NOMINATION COMMITTEE MEMBERS

Mr. Lee Siu Leung *(Chairman)*
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason

REMUNERATION COMMITTEE MEMBERS

Mr. Lee Siu Leung *(Chairman)*
Mr. Choy Sze Chung Jojo
Mr. See Lee Seng Reason

COMPLIANCE OFFICER

Mr. Chu Sung Hei

COMPANY SECRETARY

Mr. Law Fei Shing, *AICPA, HKICPA (Practising)*

AUDITOR

CCIF CPA Limited
Certified Public Accountants

COMPLIANCE ADVISER

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

REGISTERED OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2801-2804
28th Floor, Dah Sing Financial Centre
No. 108 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

STOCK CODE

8001

WEBSITE OF THE COMPANY

www.orientsec.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of the Company, I am delighted to present to you the 2013 annual report of the Company and its subsidiaries (collectively the "Group").

REVIEW

The Group was successfully listed on GEM on 15 January 2014. The proceeds raised have strengthened its capital position, allowing the Group to progressively execute the business plans as stated in the prospectus, taking into consideration the prevailing business environment.

In the 2013 financial year, the Group's turnover recorded an increase of approximately HK$7.5 million or 26.3% to approximately HK$36.2 million compared with the 2012 financial year. Such growth was mainly attributable to the increase in commission income on its underwriting and placing service of approximately HK$5.9 million. In line with the turnover growth and lower staff costs due to a higher proportion of income for which commission sharing arrangements were not applicable, the Group's profit before taxation increased by approximately 31.0% to approximately HK$4.0 million.

While there will be price competition, the Group's business is not expected to face a dramatic change or challenge as we expect the Hong Kong stock market to continue to grow. Consequently, the Group does not anticipate implementing severe price cuts in order to retain existing customers or attract new customers.

The Directors and senior management are mindful of the regulatory reporting and compliance requirements, in particular those applicable to the Group after having been listed, and will continue to keep abreast of their development.

OUTLOOK

Going forward, the Group will continue to focus its financial and other resources on further developing its existing brokerage service, underwriting and placing service, and financing service through various channels and campaigns with a view to becoming a prominent player in the securities brokerage industry in Hong Kong.

At the same time, the Group will seek to minimise credit risk exposure by assessing and reviewing customers' portfolios carefully and conservatively. In order to maximise returns to our shareholders over the longer term, the Group will seek and develop new business strategies and plans for expanding its core businesses, including provision of new services and products to customers.

On behalf of the Board, I would like to extend my sincere gratitude to the Group's shareholders, bankers, customers and business partners for their continuous support, and to our management and staff members for their diligence, dedication and contribution. In the coming year, we shall continue to work hard towards building a good foundation for growth and prosperity ahead.

On behalf of the Board

Lam Shu Chung
Chairman and Executive Director

Hong Kong, 30 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of its (i) brokerage service; (ii) underwriting and placing service; and (iii) financing service. During 2013, the Group focused on developing the business of these services by exploring opportunities available under the existing risk management framework.

The Group was successfully listed on GEM on 15 January 2014. The proceeds received have strengthened the Group's cash flow and, after having evaluated the Group's business objectives as stated in the Prospectus, the Group and the Directors considered that no modification of the business objectives or the business plans as stated in the Prospectus was required.

FINANCIAL REVIEW

Revenue

The Group's revenue is mainly generated from (i) commission income from the brokerage service; (ii) commission income from the underwriting and placing service; and (iii) interest income from the financing service.

The total revenue for 2013 was approximately HK$36.2 million (2012: HK$28.6 million) which represents a 26.3% growth compared with 2012. Such growth was attributable to the increase in income of all three business segments of the Group, being (i) an increase of approximately HK$1.4 million in commission income from the brokerage service; (ii) an increase of approximately HK$5.9 million in commission income from the underwriting and placing service; and (iii) an increase of approximately HK$0.3 million in interest income from the financing service. In particular the increase in total income was mainly attributable to the increase in income from the underwriting and placing service, which was in turn driven by an increase in the number (2013: total 30 cases) and scale (2013: total approximately HK$654.7 million) of underwriting and placing commitments undertaken during 2013 as compared with 2012 (total 28 cases with a total amount of underwriting and placing commitments of approximately HK$435.2 million).

	2013 HK$'000	2012 HK$'000
Commission income from the brokerage service	**10,109**	8,741
Commission income from the underwriting and placing service	**18,937**	13,062
Interest income from the financing service	**7,104**	6,831
Total	**36,150**	28,634

Other revenue and other net income

The total other revenue and other net income for 2013 was approximately HK$0.05 million (2012: HK$0.03 million) which represents a 53.3% growth compared with 2012.

	2013 HK$'000	2012 HK$'000
Interest income from bank deposits and employee loan	**27**	22
Sundry income	**19**	8
	46	30

MANAGEMENT DISCUSSION AND ANALYSIS

Staff Costs

Staff costs are a major expense item of the Group and accounted for approximately 29.7% of the total operating expenses of the Group for 2013. The total staff costs for 2013 were approximately HK$5.7 million (2012: HK$7.4 million) and represented a decrease of approximately 22.4% compared with 2012. The decrease was mainly attributable to the decrease of approximately HK$1.3 million in commission paid to staff due to a higher proportion of income from the Group's underwriting and placing service as well as In-house Customers (i.e. customers not served by self-employed account executives) for which commission sharing arrangements were not applicable. The decrease in Directors' emoluments was mainly due to certain Directors (namely Mr. Lam Shu Chung, Mr. Chung Chin Hung, Ms. Fung Yuk Chun, Emily, Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo and Mr. Lee Siu Leung) waiving their respective emoluments of approximately HK$397,000 for the period from 1 January 2013 to 25 March 2013 and the termination of the Old Director Agreements with effect from 25 March 2013 (which is replaced by the New Director Agreements dated 25 March 2013 for an initial fixed term of three years from the Listing Date (i.e. 15 January 2014) and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the initial fixed term).

	2013 HK$'000	2012 HK$'000
Commission paid to staff	**732**	2,071
Directors' emoluments	**815**	1,431
Staff salaries and allowances	**3,928**	3,609
Other staff costs including MPF and insurance	**268**	287
	5,743	7,398

Administrative Expenses

Administrative expenses accounted for approximately 30.6% of the total operating expenses of the Group for 2013. The total administrative expenses for 2013 were approximately HK$5.9 million (2012: HK$5.6 million) and have remained largely stable as compared with 2012.

	2013 HK$'000	2012 HK$'000
Rent and rates and management fee for office	**2,466**	2,358
Stock information subscription fees and CCASS charges	**1,673**	1,857
Other office expenses excluding staff costs	**1,784**	1,381
Total	**5,923**	5,596

MANAGEMENT DISCUSSION AND ANALYSIS

Finance Costs

The total finance costs were HK$50,000 for both 2013 and 2012 which were the credit facility arrangement fees. The Group did not draw down on this credit facility in the year 2013.

Listing expenses

The listing expenses for 2013 were approximately HK$7.7 million (2012: HK$2.8 million) which represents a 176.2% growth compared with 2012. Such growth was due to the approval of the Prospectus and listing of the Group obtained by the Group in December 2013 such that relevant professional expenses were recognised in 2013. The remaining portion is to be recognized in 2014 due to the successful listing on 15 January 2014.

Income tax expenses

The income tax expense for 2013 was approximately HK$4.0 million (2012: HK$2.7 million) and such growth was mainly due to the increase in profits assessable under Hong Kong Profits Tax.

Profit for the year

The Group recorded a net profit attributable to equity shareholders of approximately HK$12.8 million (2012: HK$10.1 million). Such growth was due to the increase in total revenue of approximately HK$7.5 million or 26.3% and at the same time, the aggregate increase in operating expenses and listing expenses of the Group of approximately HK$3.6 million or 22.5%.

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

As set out in the Prospectus of the Group, the overall business objective of the Group is to become a prominent player in the securities brokerage industry in Hong Kong with a focus on the brokerage, underwriting and placing and financing services. The Group plans to achieve this objective by expanding the financing service and developing the underwriting and placing service of the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the year ended 31 December 2013, the Group financed its operations by cash flow from operating activities. As at 31 December 2013, the Group had net current assets of approximately HK$131.3 million (2012: HK$119.3 million), including cash of approximately HK$40.5 million (2012: HK$43.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.6 times as at 31 December 2013 (2012: 3.2 times). The decline in the current ratio was mainly attributable to the higher balances of payables to cash clients and margin clients in 2013 compared to 2012.

The capital of the Group comprises only ordinary shares. Total equity attributable to owners of the Company amounted to approximately HK$132.7 million as at 31 December 2013 (2012: HK$119.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

Total remuneration for the year ended 31 December 2013 (including Directors' emoluments and commission paid to staff and Directors excluding MPF contributions) was approximately HK$5.4 million (2012: HK$7.1 million). Such decrease was mainly due to the drop in commission paid to staff and Director's emoluments. The Group's remuneration policies are formulated on the basis of the performance, qualifications and experience of the individual employee and make reference to the prevailing market conditions. Our remuneration packages comprise monthly fixed salaries and discretionary year-end bonuses based on individual performance, which are paid to employees as recognition of, and reward for, their contributions.

CHARGES ON THE GROUP'S ASSETS

The Group did not have any charge arranged with any financial institution in Hong Kong in 2013.

FOREIGN EXCHANGE EXPOSURE

The revenue and business costs of the Group were principally denominated in Hong Kong dollars, and as such the exposure to the risk of foreign exchange rate fluctuations for the Group was minimal. Hence, no financial instrument for hedging was employed.

CONTINGENT LIABILITIES

No material contingent liability had come to the attention of the Directors in 2013 and up to the date of results announcement and annual report issuance of the Company.

EVENT AFTER THE REPORTING PERIOD

On 15 January 2014, 75 million ordinary shares of HK$0.01 each of the Company were issued at HK$0.60 by way of placing. On the same day, the Company was listed on GEM. The net proceeds of the placing, after deducting fees and estimated expenses payable by the Group in connection therewith, were approximately HK$33.1 million.

On 5 March 2014, the majority of the proceeds from the placing, being HK$32 million was transferred from the Company to OSL as a subordinated loan. The formal approval on such arrangement from SFC was obtained on 24 March 2014.

USE OF PROCEEDS FROM THE LISTING

As disclosed in the "Event after the reporting period" above, HK$32 million of the net proceeds was used to expand our financing service. According to the section headed "Use of Proceeds" in the Prospectus, the remaining net proceeds amounting to approximately HK$1.1 million are intended to be used for general working capital of the Group. The Company has not changed its plan for use of proceeds as stated in the Prospectus.

CORPORATE GOVERNANCE REPORT

Pursuant to Rule 18.44 of the GEM Listing Rules, the Board is pleased to present this corporate governance report for the year ended 31 December 2013. This report highlights the key corporate governance practices of the Company.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

Throughout the period from 15 January 2014 the ("Listing Date") to the date of this report, to the best knowledge of the Board, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules, save for the deviation as mentioned in the following section headed "Chairman and Chief Executive Officer" in this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required standard of Dealing"). Having made specific enquiries of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from Listing Date to the date of this report. No incident of non-compliance was noted by the Company during such period.

BOARD OF DIRECTORS

Board Composition

Up to the date of this annual report, the Board comprises seven directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Lam Shu Chung *(Chairman)*
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-Executive Director

Mr. Lum Pak Sum

Independent non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr See Lee Seng Reason

Biographical details of Directors are set out on pages 15 to 17 of this annual report.

CORPORATE GOVERNANCE REPORT

Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received an annual confirmation of independence from each of the independent non-executive Directors and believes that their independence is in compliance the Rule 5.09 of the GEM Listing Rules.

The Board

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Groups' affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing long-term shareholder value, while balancing broader stakeholder interests.

The Board has delegated the day-to-day responsibility to the Executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

Board Meetings and Attendance

Details of individual attendance of all Directors at the Board meetings are as follows:

Name of Directors	**Number of attendance/ Number of board meetings**
Executive Directors	
Mr. Lam Shu Chung *(Chairman)*	9/9
Ms. Fung Yuk Chun Emily	8/9
Mr. Chu Sung Hei (being appointed on 26 February 2013)	5/8
Mr. Chung Chin Hung Paul (resigned on 22 February 2013)	1/1
Non-Executive Director	
Mr. Lum Pak Sum	5/9
Independent non-executive Directors	
Mr. Choy Sze Chung Jojo	6/9
Mr. Lee Siu Leung	6/9
Mr. See Lee Seng Reason (being appointed on 26 February 2013)	4/8

CORPORATE GOVERNANCE REPORT

The Board meets regularly on a quarterly basis. Notice of at least seven days is given to all Directors for a regular Board meeting. Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

Relationship

There was no financial, business, family or other material relationship among the Directors. The biographical details of each of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Directors' Continuing Professional Development Programme

Pursuant to the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, the Company has provided an induction programme to newly appointed directors after their respective appointments. The Company has provided regular briefings and updates to the Directors on the Company's business, operations, risk management, corporate governance matters, responsibilities and obligations of Directors under the GEM Listing Rules and relevant statutory requirements. It has also provided written training materials to the Directors on the latest developments of the Listing Rules, applicable laws, rules and regulations relating to directors' duties and responsibilities from time to time.

During the Period, all Directors have participated in continuous professional development by attending conferences and internal training as regards corporate governance, laws and regulations and the GEM Listing Rules, and reading materials relevant to their duties, responsibilities and the Group's business in order to develop, refresh and update their knowledge and skills.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The Company has not yet adopted A.2.1 of the CG Code. Pursuant to A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Mr. Lam Shu Chung is the Chairman of the Board and is responsible for formulation of corporate strategy, overseeing the management of the Group and business development. The Chairman also takes the lead to ensure that the Board works effectively and acts in the best interest of the Company by encouraging the Directors to make active contributions to the Board's affairs and promoting a culture of openness and debate.

The Company has no such position as the CEO and therefore the daily operation and management of the Company is monitored by the executive Directors as well as the senior management.

The Board is of the view that although there is no CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Executive Directors

Each of Mr. Lam Shu Chung, Ms. Fung Yuk Chun Emily and Mr. Chu Sung Hei, being all the executive Directors, has entered into a service agreement with the Company on 25 March 2013 for an initial fixed term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party by giving 3 months' notice in writing to the other. Each of these executive Directors is entitled to the respective director's fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

Non-executive Director and the independent non-executive Directors

Each of Mr. Lum Pak Sum, a non-executive Director and Mr. Choy Sze Chung Jojo, Mr. Lee Siu Leung and Mr. See Lee Seng Reason, the independent non-executive Directors has entered into a letter of appointment with our Company on 25 March 2013. Each letter of appointment is for a term of 3 years commencing from the Listing Date, provided that either our Company or our non-executive Director or our independent non-executive Directors may terminate such appointment at any time by giving at least three months' notice in writing to the other. Each of our non-executive Director and independent non-executive Directors is entitled to a director's fee. Our non-executive Director and independent non-executive Directors are entitled to receive a discretionary bonus to be determined by our Board in its absolute discretion in respect of each financial year of our Company.

In accordance with the articles 84 of the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established the Audit Committee, the Nomination Committee and the Remuneration Committee in order to maintain high standard of corporate governance within the Company.

Audit Committee

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo and Mr. See Lee Seng Reason. The primary duty of the Audit Committee is to review and supervise the Company's financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. All members of the Audit Committee are appointed by the Board.

The audited annual results of the Company for the year ended 31 December 2013 have been reviewed by the audit committee members who have provided advice and comments thereon.

During the year ended 31 December 2013, the attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ Number of meetings
Mr. Choy Sze Chung Jojo	1/1
Mr. Lee Siu Leung	1/1
Mr. See Lee Seng Reason	1/1

Nomination Committee

The Nomination Committee has been established with written terms of reference in compliance with code provision A.4.5 of the CG Code. The Nomination Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo and Mr. See Lee Seng Reason. The primary duty of the Nomination Committee is to make recommendations to the Board regarding the structure, size and composition of the Board and candidates to fill vacancies on the Board. All members of the Nomination Committee are appointed by the Board.

Owing to the fact that the Company was listed after the reporting period, no nomination committee meeting was held during the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee has been established with written terms of reference in compliance with code provision B.1.1 of the CG Code. The Remuneration Committee currently comprises three independent non-executive Directors and is chaired by Mr. Lee Siu Leung. The other members are Mr. Choy Sze Chung Jojo and Mr. See Lee Seng Reason. The primary duty of the Remuneration Committee is review and make recommendations to the Board on the remuneration policy and other remuneration related matters, including benefits-in-kind and other compensation payable to the Directors and senior management. All members of the Remuneration Committee are appointed by the Board.

Owing to the fact that the Company was listed after the reporting period, no remuneration committee meeting was held during the year ended 31 December 2013.

AUDITOR'S REMUNERATION

For the year ended 31 December 2013, the fees paid or payable to the external auditor for the audit of the financial statements of the Group are HK$1,790,000 of which HK$1,490,000 represents audit fees paid in relation to placing of the Company's shares and its listing on the GEM of the Stock Exchange of Hong Kong Limited and HK$300,000 represents the audit fees for the year ended 31 December 2013. There was no significant non-audit service provided by the auditor of the Group for the year.

PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of consolidated financial statements of the Group for the year ended 31 December 2013, which give a true and fair view of the financial position of the Group on a going concern basis.

AUDITOR'S STATEMENT

The statement of the Auditor about its reporting responsibilities for the Company's financial statements for the year ended 31 December 2013 is set out in the section "Independent Auditor's Report" of this report.

INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control system to safeguard the Group's assets against unauthorized use or disposition, and to protect the interests of the shareholders of the Company. During the year ended 31 December 2013, a review of the effectiveness of the Group's internal control systems was conducted and the results were summarized and reported to the Audit Committee and the Board.

COMPANY SECRETARY

Mr. Law Fei Shing joined the Company on 12 February 2009 on a part-time basis and has been the Company Secretary since 25 March 2013. The biographical details of the Company Secretary are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report. In accordance with the Rule 5.15 of the GEM Listing Rule, the Company Secretary has taken no less than 15 hours of relevant professional training during the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHT

Procedures for the Shareholders to convene an extraordinary general meeting

Pursuant to article 58 of the Articles of Association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for the Shareholders to put their enquiries to the board

The Company endeavor to maintain two way communications with the Shareholders through various channels. The Shareholders are encouraged to send their enquiries about the Group to the Company's email at info@orientsec.com.hk or by mail to the principle address of the Company at Rooms 2801-04, 28/F., Dah Sing Financial Centre, No. 108 Gloucester Road, Wanchai, Hong Kong. All the enquiries are dealt with in a timely manner. The Shareholders are also encouraged to attend annual general meeting (the "AGM") and EGM of the Company and to put their enquiries to the Board directly. Notices are duly being circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman of the Board, chairmen of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond proactively to the Shareholders' enquiries. The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the chairmen of the AGM and EGM orally in the beginning of the aforesaid meetings. Also, the Company strengthens its communications with shareholders and investors through various channels including publication of interim and annual reports, press releases and announcements regarding the latest developments of the Company in its corporate website at www.orientsec.com.hk at a timely manner.

CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. After the Listing Date, no amendments were made to the constitutional documents of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Shu Chung (林樹松), aged 57, is an Executive Director and the Chairman of the Company. He was appointed as a Director on 5 January 2009 and re-designated as an Executive Director on 12 February 2009. He is responsible for the formulation of corporate strategy, overseeing the management and business development. Further, Mr. Lam has been a director of Orient Securities Limited since July 2004 and has been responsible for overseeing the company's management and business development. Mr. Lam has about 20 years of experience in the Hong Kong financial market, ranging from the field of securities brokerage, foreign exchange to foreign banking.

Ms. Fung Yuk Chun Emily (馮玉珍), aged 44, was appointed as an Executive Director on 4 April 2011. She joined the Group in 2000. Ms. Fung has approximately 10 years of experience in the securities brokerage industry. Ms. Fung has been a director of Orient Securities Limited (formerly known as TradingGuru.com Securities Limited) since 2000. Ms. Fung is responsible for overseeing the general administration, human resources and operating system development of the Group. Ms. Fung completed the certificate programme for company secretaries (Part I) from the Hong Kong Management Association in August 2004.

Mr. Chu Sung Hei (朱崇希), aged 55, has been a Responsible Officer of Orient Securities Limited to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO since March 2010. He joined the Group in 2009. Mr. Chu was appointed as an Executive Director on 26 February 2013. He possesses over 15 years of experience in securities and fund management business from January 1988 to September 2008. He is responsible for business operations and compliance of the Group.

Mr. Chu obtained a bachelor's degree in commerce and a master's degree in business administration from the University of Windsor in 1981 and 1982 respectively.

NON-EXECUTIVE DIRECTOR

Mr. Lum Pak Sum (林柏森), aged 52, joined the Group in 2010. He was appointed as a Director on 18 March 2010 and re-designated as a non-executive Director on 4 April 2011 as he intended not to take up an executive role in the Group. Mr. Lum obtained a master's degree in business administration from The University of Warwick in 1994 and a bachelor's degree in laws from University of Wolverhampton in 2002, both by way of long distance courses. He is currently a non-practicing member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. Mr. Lum has over 20 years' experience in the Hong Kong financial market, including the money market and capital market. Mr. Lum had been engaged in the securities business from July 1988 to September 2004. He is responsible for providing professional advice to the Group in respect of the Group's management and corporate governance.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Choy Sze Chung Jojo (蔡思聰), aged 54, was appointed as an independent non-executive Director on 18 March, 2010. Mr. Choy has about 18 years of experience in the securities brokerage industry and business management. Mr. Choy is a director and responsible officer of National Resources Securities Limited, a company licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

Mr. Choy is the vice-chairman of the Institute of Securities Dealers Limited. He is also a fellow of the Hong Kong Institute of Directors, a fellow member of Institute of Financial Accountants, a fellow member of the Institute of Compliance Officers, a member of Society of Registered Financial Planners, a member of the Election Council for Hong Kong Deputies to the 12th National People's Congress of the People's Republic of China and a member of the 12th Shantou Committee of Chinese People's Political Consultative Conference. In December 2011, Mr. Choy was elected as a member of 4th term Chief Executive Election Committee of Hong Kong.

Mr. Lee Siu Leung (李兆良), aged 47, was appointed as an independent non-executive Director on 18 March 2010. Mr. Lee has about 24 years of accounting experience.

Mr. Lee obtained a bachelor's degree in social sciences from The University of Hong Kong in 1989. Mr. Lee is a certified public accountant (practising) and a fellow member of The Association of Chartered Certified Accountants. He is also certified as an associate of the Institute of Chartered Accountants in England and Wales in 2008, an associate of The Institute of Chartered Secretaries and Administrators in 2004, an associate of the Hong Kong Institute of Company Secretaries in 2004 and an associate of The Taxation Institute of Hong Kong in 1996.

Mr. See Lee Seng Reason (史理生), aged 55, was appointed as an independent non-executive Director on 26 February 2013. Mr. See has over 30 years of experience in the finance and investment profession covering securities and commodities dealing, direct investment, portfolio management and corporate finance. Mr. See obtained a master's degree of science in corporate governance and directorship from the Baptist University Hong Kong in 2006. Currently, Mr. See is the Chairman of Corporate Governance and Directorship (HKBU) Society. He is also a committee member of the council of the Hong Kong Securities Professionals Association.

SENIOR MANAGEMENT

Mr. Wong Kwan Lok (黃君諾), aged 35, joined the Group in 2004 and is currently a senior vice president. Mr. Wong mainly focuses on sales and marketing and assists in business development. Mr. Wong has been licensed with SFC since 1998 and has been a Licensed Representative since joining Orient Securities Limited in 2004. He possesses over 10 years of experience in the securities brokerage industry and is licensed to carry on Type 1 regulated activity (dealing in securities). Mr. Wong was employed by Young Champion Management Services Limited (now known as Success International Management Services Limited) as a dealer of Young Champion Securities Limited for the period from November 2000 to September 2004.

Mr. Chung Chin Hung, Paul (鐘展鴻), aged 59, joined the Group in 2004 and is currently, a director and a Responsible Officer. He is licensed to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities since March 2005. Mr. Chung is responsible for supervising Licensed Representatives in carrying out regulated activities and the Group's internal control. Mr. Chung has approximately 20 years of experience in the securities brokerage industry.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Prior to joining the Group, Mr. Chung was a registered dealer of Shenyin Wanguo Securities (H.K.) Limited under the Securities Ordinance. He was also a responsible officer of Shenyin Wanguo Securities (H.K.) Limited, Shenyin Wanguo Brokerage (H.K.) Limited and Shenyin Wanguo Futures (H.K.) Limited.

Ms. Wong Tuen Sau (王端秀), aged 46, joined the Group in 2013 and is currently the compliance manager of Orient Securities Limited and is responsible for all compliance matters and the internal control of the Group.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Wong obtained a bachelor's degree in Business Administration in Accounting from Hong Kong Baptist University in 1992 and a master's degree in Finance at Hong Kong Chinese University in 2007. Ms. Wong has been a compliance professional with over 15 years of experience in the financial industry, working with the Hong Kong Exchanges and Clearing Limited from 1997 to 2009 and different professional or financial institutions including, KPMG from 1991 to 1996 and Sun Hung Kai Financial from 2010 to 2011.

Mr. Lau Wai Man (劉偉文), aged 49, joined the Group in 2008 and is currently a Responsible Officer. He is a licensed person since August 1995. Mr. Lau is responsible for supervising in-house account executives in carrying out regulated activities. Mr. Lau possesses over 15 years of experience in the securities brokerage industry and his work experience includes acting as a sales representative, floor trader and account executive in various securities brokerage companies since 1995.

Mr. Kwong Chun Man (鄺振文), aged 35, joined the Group in 2013 and is currently a vice president. Mr. Kwong is responsible for the Group's financial reporting and overall financial planning and budgeting.

Mr. Kwong is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. Mr. Kwong is also a certified internal auditor of the Institute of Internal Auditors and a certified information systems auditor of the Information Systems Audit and Control Association. Mr. Kwong obtained a bachelor's degree in Computing at The Hong Kong Polytechnic University in 2001. Before joining the Group, Mr. Kwong had been employed by Deloitte Touche Tohmatsu from 2001 to 2008. Thereafter, Mr. Kwong had been engaged in a private practice providing accounting services.

Mr. Law Fei Shing (羅輝城), aged 54, is the company secretary of the Company. He was appointed as company secretary of the Company on 12 February 2009 on a part-time basis. He is responsible for overseeing the company secretary functions of the Company. Mr. Law graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1985. He is a member of American Institute of Certified Public Accountants (AICPA), an associate member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a practising certified public accountant in Hong Kong.

REPORT OF DIRECTORS

The Board is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES AND REORGANISATION

The Company was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands. Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "Group Reorganisation"), the Company has become the ultimate holding company of the Group on 16 April 2012.

The principal activities of the Group are the provision of its (i) brokerage service; (ii) underwriting and placing service; and (iii) securities and initial public offering financing service.

The Company's shares have been listed on the GEM of the Stock Exchange since 15 January 2014 (the "Listing Date").

RESULTS

The Group's results for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements from pages 27 to 75 of this annual report.

The Directors do not recommend the payment of a dividend for the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past four years is set out in the section headed "Financial Summary" on page 76 of this annual report. The summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in note 16 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

REPORT OF DIRECTORS

DIRECTORS

The Directors of the Company since the Listing Date and up to the date of the report were:

Executive Directors

Mr. Lam Shu Chung *(Chairman)*
Ms. Fung Yuk Chun Emily
Mr. Chu Sung Hei

Non-executive Director

Mr. Lum Pak Sum

Independent Non-executive Directors

Mr. Choy Sze Chung Jojo
Mr. Lee Siu Leung
Mr See Lee Seng Reason

In accordance with the Company's Articles of Association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those who have been longest in office since their re-election or appointment.

In accordance with article 84 (1) of the Articles, Mr. Lam Shu Chung, Mr. Lum Pak Sum and Mr. Choy Sze Chung Jojo will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical information of Directors and senior management of the Group are set out from pages 15 to 17 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Executive Directors have entered into service contracts with the Company for an initial term of three years and be thereafter continuous unless and until (i) the termination by either party thereto giving no less than three months' prior written notice; or (ii) the Director not being re-elected as a Director in accordance with the Articles of Association of the Company.

The non-executive Director and Independent Non-executive Directors are appointed for a fixed term of three years and either party may terminate such appointment at any time by giving at least three months' notice in writing to the other.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF DIRECTORS

EMOLUMENT POLICY

The remuneration committee was established for reviewing and determining the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, the time devoted to the Group and the performance of the Group. The Directors may also receive options to be granted under a share option scheme. The Company has conditionally adopted a share option scheme. The details of the share option scheme are set out in the paragraph headed "Share Option Scheme" below.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Notes 10 and 11 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2013, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As of the date of this report, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

(a) Long position in ordinary shares of HK$0.01 each and underlying shares

Name of Directors	**Capacity/Nature of interests**	**Number of share held**	**Approximate percentage of issued share capital** (Note 2)
Mr. Lam Shu Chung (Note 1)	Interest of a controlled corporation	225,000,000	75%

Notes:

1. 225,000,000 shares are registered in the name of Time Era Limited, which is owned as to 75% by Mr. Lam Shu Chung ("Mr. Lam"). Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.

2. The percentage is calculated on the basis of 300,000,000 shares of the Company in issue as at the date of this report.

REPORT OF DIRECTORS

Save as disclosed above, as at the date of this report, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 December 2013, the shares of the Company were not listed on the Stock Exchange. So far as the Directors are aware, as at the date of this report, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

Name	**Capacity/Nature of interests**	**Number of share held**	**Approximate percentage of issued share capital** (Note 3)
Time Era Limited (Note 1)	Beneficial interest	225,000,000	75%
Ms. Choi Hing Lin Lori (Note 2)	Family interest	225,000,000	75%

Notes:

1. Time Era Limited is owned as to 75% by Mr. Lam and as to 25% by the other parties. Under the SFO, Mr. Lam is deemed to be interested in the shares held by Time Era Limited by virtue of Time Era Limited being controlled by Mr. Lam.

2. Ms Choi Hing Lin Lori is the spouse of Mr. Lam. Under the SFO, Ms. Choi Hing Lin Lori is deemed, or taken to be interested in all the shares in which Mr. Lam is interested.

3. The percentage is calculated on the basis of 300,000,000 shares of the Company in issue as at the date of this report.

Save as disclosed above, as at the date of this report, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

REPORT OF DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The issued shares of the Company were listed on GEM on 15 January 2014. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 19 December 2013 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the date of adoption of the Scheme.

As at the date of this report, the total number of shares available for issue under the Scheme is 30,000,000 shares, representing 10% of the issued share capital of the Company.

Upon acceptance of an option to subscribe for shares granted pursuant to the Scheme (the "Option"), the Eligible Participant shall pay HK$ 1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted. The subscription price for the shares subject to Options will be a price determined by the Board and notified to each participant and shall be the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a day on which trading of shares take place on the Stock Exchange (the "Trading Day"); (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a share. For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed on the Stock Exchange for less than 5 Trading Days, the placing price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue from the Listing Date. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the GEM Listing Rules, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time. An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

As at the date of this report and since the adoption of the Scheme, no share option has been granted by the Company.

REPORT OF DIRECTORS

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors, senior management and five individuals with highest emoluments are set out in note 10 and 11 to the consolidated financial statements respectively.

COMPETING INTERESTS

The Directors are not aware of any business that they themselves are currently conducting or is being conducted by connected or related parties during the year.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2013, the Company did not enter into any connected transactions which required reporting, annual review, announcements and/or independent shareholders' approval under the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, there was 1 customer who accounted for over 10% of the total revenue of the Group.

As far as the Directors aware, neither the Director nor their associates nor any shareholder (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in that customer of the Group.

Due to the nature of the Group's business activities, the Group has no suppliers.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group are set out in note 30 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the Independent Non-executive Directors to be independent.

INTEREST OF COMPLIANCE ADVISER

As notified by Altus Capital Limited ("Altus"), the Company's compliance adviser, neither Altus nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2013.

EVENT AFTER REPORTING PERIOD

Details of events after the reporting period are set out in note 36 to the consolidated financial statements.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2013.

REPORT OF DIRECTORS

CORPORATE GOVERNANCE

The Board is of the view that the Company has met the code provisions set out in the CG Code contained in Appendix 15 to the GEM Listing Rules. A report on the principal corporate governance practices adopted by the Company is set out from pages 8 to 14 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2013 have been audited by the Company's auditor, CCIF CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of CCIF CPA Limited as auditor of the Company will be proposed at the AGM.

On behalf of the board

Lam Shu Chung
Chairman

Hong Kong, 30 March 2014

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
陳葉馮會計師事務所有限公司
9/F Leighton Centre
77 Leighton Road
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT SECURITIES INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Orient Securities International Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 27 to 75, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 disclosure requirements of 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, 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 judgment, 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 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 profit 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 disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 30 March 2014

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
TURNOVER	6	**36,150**	28,634
Other revenue and other net income	7	**46**	30
		36,196	28,664
Staff costs	8(a)	**(5,743)**	(7,398)
Administrative expenses		**(5,923)**	(5,596)
Finance costs	9	**(50)**	(50)
Listing expenses		**(7,653)**	(2,771)
PROFIT BEFORE TAXATION	8	**16,827**	12,849
Income tax	13(a)	**(4,037)**	(2,744)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**12,790**	10,105
Other comprehensive income for the year		**—**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**12,790**	10,105
EARNINGS PER SHARE			
Basic and diluted	15	**5.68 cents**	4.49 cents

The notes on pages 31 to 75 form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2013

	Note	The Group 2013 HK$'000	The Group 2012 HK$'000	The Company 2013 HK$'000	The Company 2012 HK$'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	**107**	51	**—**	—
Other assets	17	**1,257**	525	**—**	—
Intangible assets	18	**—**	13	**—**	—
Investments in subsidiaries	19	**—**	—	**—**	—
		1,364	589	**—**	—
CURRENT ASSETS					
Trade receivables	20	**106,337**	96,912	**—**	—
Prepayments, deposits and other receivables	21	**5,057**	4,517	**148**	—
Dividend receivable		**—**	—	**—**	13,000
Bank balances held on behalf of clients	22	**61,916**	27,981	**—**	—
Cash and cash equivalents	23	**40,474**	43,061	**82**	85
		213,784	172,471	**230**	13,085
CURRENT LIABILITIES					
Trade payables	24	**79,145**	39,146	**—**	—
Other payables and accruals	25	**1,347**	1,594	**210**	844
Current tax payable	13(c)	**1,990**	444	**—**	—
Dividend payable		**—**	12,000	**—**	12,000
		82,482	53,184	**210**	12,844
NET CURRENT ASSETS		**131,302**	119,287	**20**	241
NET ASSETS		**132,666**	119,876	**20**	241
CAPITAL AND RESERVES					
Share capital	26	**—**	—	**—**	—
Reserves	27	**132,666**	119,876	**20**	241
TOTAL EQUITY		**132,666**	119,876	**20**	241

Approved and authorised for issue by the board of directors on 30 March 2014 and signed on its behalf by:

Lam Shu Chung
Director

Fung Yuk Chun Emily
Director

The notes on pages 31 to 75 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to equity shareholders of the Company			
	Share capital HK$'000	**Merger reserve** (note 27(i)) HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2012	—	8	121,763	121,771
Profit and total comprehensive income for the year	—	—	10,105	10,105
Dividends declared in respect of the current year (note 14)	—	—	(12,000)	(12,000)
At 31 December 2012 and 1 January 2013	**—**	**8**	**119,868**	**119,876**
Profit and total comprehensive income for the year	**—**	**—**	**12,790**	**12,790**
At 31 December 2013	**—**	**8**	**132,658**	**132,666**

The notes on pages 31 to 75 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			
Profit before taxation		16,827	12,849
Adjustments for:			
Amortisation of intangible assets		13	160
Depreciation		66	196
Impairment losses on trade receivables		400	—
Interest income		(27)	(22)
		17,279	13,183
Changes in working capital			
(Increase)/decrease in statutory and other deposits		(732)	75
Increase in trade receivables		(9,825)	(20,104)
(Increase)/decrease in prepayments, deposits and other receivables		(540)	819
(Increase)/decrease in bank balances held on behalf of clients		(33,935)	13,225
Increase/(decrease) in trade payables		39,999	(3,218)
(Decrease)/increase in other payables and accruals		(247)	1,100
Cash generated from operations		11,999	5,080
Hong Kong profits tax (paid)/refunded		(2,491)	707
Interest received		27	22
Net cash generated from operating activities		9,535	5,809
Investing activities			
Purchase of property, plant and equipment		(122)	(21)
Net cash used in investing activities		(122)	(21)
Financing activities			
Dividends paid		(12,000)	—
Net cash used in financing activities		(12,000)	—
Net (decrease)/increase in cash and cash equivalents		(2,587)	5,788
Cash and cash equivalents as at the beginning of the year		43,061	37,273
Cash and cash equivalents as at the end of the year	23	40,474	43,061

The notes on pages 31 to 75 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

Orient Securities International Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability on 5 January 2009 under the Companies Law of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 January 2014. The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is Rooms 2801-2804, 28th Floor, Dah Sing Financial Centre, No. 108 Gloucester Road, Wanchai, Hong Kong. The principal activities of its subsidiaries are set out in note 2.

2. GROUP REORGANISATION AND PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the provision of (i) brokerage service; (ii) underwriting and placing service; (iii) securities and initial public offering financing service; and (iv) investment holding.

Under a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM of the Stock Exchange (the "Group Reorganisation"), the Company has become the ultimate holding company of the Group on 16 April 2012.

Details of the Group Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix V to the prospectus dated 31 December 2013 issued by the Company (the "Prospectus").

The Group resulting from the above mentioned Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting for common control combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows which are prepared in accordance with the principles of merger accounting, for the year ended 31 December 2012 include the results and cash flows of the Company and its subsidiaries as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the period of 2012 or since their respective date of incorporation or establishment where this is a shorter period.

A list of companies comprising the Group as at 31 December 2013 is set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

2. GROUP REORGANISATION AND PRINCIPAL ACTIVITIES *(Continued)*

Name of subsidiary	Place and date of incorporation/ operation	Attributable equity interest held by the Company		Issued and fully paid-up capital	Principal activities	Legal form	
		Directly	Indirectly				
Capital Business International Limited ("Capital Business")	British Virgin Islands/Hong Kong 26 March 1996	100%	—	1,000 ordinary shares of US$1 each	Investment holding	Private limited liability company	
Orient Securities Holdings Limited	Hong Kong/ Hong Kong 2 June 1999	—	100%	18,832 ordinary shares of HK$1 each	Investment holding	Private limited liability company	
Orient Securities Limited ("Orient Securities")	Hong Kong/ Hong Kong 11 June 1999	—	100%	20,000,000 ordinary shares of HK$1 each	Provision of brokerage service, underwriting and placing service and securities and initial public offering financing service	Private limited liability company	
Orient Securities International Limited (Formerly known as Orient Securities International Holdings Limited)	Hong Kong/ Hong Kong 20 January 2009	—	100%	1 ordinary shares of HK$1 each	Not yet commence business	Private limited liability company	(note)

Note: Orient Securities International Limited was deregistered and dissolved on 12 July 2013.

3. 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 HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

b) *Business combinations*

The consolidated financial statements incorporate the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

c) *Basis of preparation of the financial statements*

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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 believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

c) *Basis of preparation of the financial statements* *(Continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

d) *Subsidiaries*

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.

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, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

e) *Property, plant and equipment*

Property, plant and equipment are stated in the consolidated statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives, at the following rates per annum:

Computer equipment	20% — 50%
Office equipment	20% — 33.33%
Furniture and fixtures	30% — 33.33%
Motor vehicle	33.33%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

e) *Property, plant and equipment* *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Subsequent costs are included in the assets's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

f) *Intangible assets*

Intangible assets represent trading rights of the Stock Exchange, with which the holders have the rights to trade on the Stock Exchange. On initial recognition, intangible assets acquired separately are recognised at cost. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for trading rights of the Stock Exchange with finite useful lives is recognised on a straight-line basis over their estimated useful lives of five years.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

g) *Operating lease charges*

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases. Where the Group has the use of assets 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 terms, 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. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) *Impairment of assets*

i) *Impairment of other receivables*

Other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade receivables and other current receivables and other financial assets 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 these financial assets 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) *Impairment of assets* *(Continued)*

ii) *Impairment of other assets*

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

— property, plant and equipment;
— intangible assets; and
— investments in subsidiaries in the Company's statement of financial position.

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 of disposal 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 the 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 the profit or loss whenever 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 first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other 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 of disposal (if measurable), 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 an 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

h) *Impairment of assets* *(Continued)*

iii) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the GEM of the Stock Exchange, the Group is required to prepare a quarterly financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of each quarter of the financial year. At the end of the quarterly period, the Group applies the same impairment testing, recognition and reversal criteria as it would at the end of the financial year (see notes 3(h)(i) and (ii)).

i) *Trade and other receivables*

Trade 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, 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 (see note 3(h)).

j) *Trade and other payables*

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

k) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

l) *Employee benefits*

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

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. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

l) *Employee benefits* *(Continued)*

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

m) *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 end of the reporting period, 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 that 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

m) Income tax *(Continued)*

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits 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.

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 Company or 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 Company or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

n) *Provisions and contingent liabilities*

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company 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.

o) *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) *Commission income*

— Brokerage income from securities dealing are recognised on a trade date basis.

— Underwriting, sub-underwriting, placing and sub-placing commission income are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed (i.e. when shares are allotted).

ii) *Interest income*

— Interest income from bank deposit is accrued on a time apportionment basis by reference to the principal deposited and at the rate applicable.

— Interest income from clients and employee is accrued on a time apportionment basis by reference to the outstanding balance and at the rate applicable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

p) *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 the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the translation date. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

q) *Related parties*

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

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

(ii) has significant influence over the Group; or

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

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

(i) 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).

(ii) 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).

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

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

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

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

(vii) A person identified in (a)(i) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

r) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

s) Segment reporting

Operating segments, and the amounts of each segment item reported in the 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 clients, 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.

t) Dividend distribution

Dividend distribution to the then shareholders of the companies now comprising the Group is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the shareholders.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i) Estimated provision for impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and impairment allowance in the period in which such estimate has been changed. The carrying amount of trade and other receivables as at 31 December 2013 was HK$106,828,000 (2012: HK$97,662,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

4. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

a) *Key sources of estimation uncertainty (Continued)*

ii) *Impairment of intangible assets*

The policy for impairment of intangible assets of the Group is based on an evaluation of their recoverable amount with reference to expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Group's brokerage business. If the recoverable amounts are less than the carrying amounts of the intangible assets, impairment may be required. The carrying amount of intangible assets as at 31 December 2013 was nil (2012: HK$13,000).

b) *Critical accounting judgements in applying the Group's accounting policies*

In process of applying the Group's accounting policies, management has made the following accounting judgements:

i) *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-down or write-off technically obsolete or non-strategic assets that have been abandoned or sold.

ii) *Income tax*

Determining income tax provisions involves judgement of the future tax treatment of certain transactions and the interpretation of tax rule. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

5. SEGMENT REPORTING

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management, being the chief operating decision maker, for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form any of the following reportable segments.

Brokerage	—	Provision of brokerage service
Underwriting and placing	—	Provision of underwriting and placing service
Financing	—	Provision of securities and initial public offering financing service

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. SEGMENT REPORTING *(Continued)*

a) *Segment revenue, results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the revenue, results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current and current assets with the exception of prepaid listing expenses. Segment liabilities include all current liabilities with the exception of dividend payable and current tax payable.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation and amortisation of assets attributable to those segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of interest income on employee's loan, sundry income, listing expenses and income tax expenses.

The segment revenue and results for the year ended 31 December 2013 are as follows:

	Brokerage HK$'000	Financing HK$'000	Underwriting and placing HK$'000	Total HK$'000
Reportable segment revenue				
Revenue from external clients	10,109	7,104	18,937	36,150
Reportable segment profit	6,715	4,314	13,418	24,447
Items included in the measure of segment profit:				
Interest income	13	—	—	13
Depreciation of property, plant and equipment	(33)	(20)	(13)	(66)
Amortisation of intangible assets	(7)	(4)	(2)	(13)
Impairment losses on trade receivables	—	(400)	—	(400)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. SEGMENT REPORTING *(Continued)*

a) *Segment revenue, results, assets and liabilities (Continued)*

The segment assets and liabilities as at 31 December 2013 and capital expenditure for the year ended 31 December 2013 are as follows:

	Brokerage HK$'000	Financing HK$'000	Underwriting and placing HK$'000	Total HK$'000
Segment assets	**128,690**	**82,989**	**22**	**211,701**
Segment liabilities	**45,094**	**35,398**	**—**	**80,492**
Additions to non-current assets	**61**	**37**	**24**	**122**

There were no inter-segment sales during the year (2012: Nil). The analysis of the Group's revenue by major services is disclosed in note 6.

The segment revenue and results for the year ended 31 December 2012 are as follows:

	Brokerage HK$'000	Financing HK$'000	Underwriting and placing HK$'000	Total HK$'000
Reportable segment revenue				
Revenue from external clients	8,741	6,831	13,062	28,634
Reportable segment profit	4,221	3,268	8,107	15,596
Items included in the measure of segment profit:				
Interest income	6	—	—	6
Depreciation of property, plant and equipment	(98)	(59)	(39)	(196)
Amortisation of intangible assets	(80)	(48)	(32)	(160)

The segment assets and liabilities as at 31 December 2012 and capital expenditure for the year ended 31 December 2012 are as follows:

	Brokerage HK$'000	Financing HK$'000	Underwriting and placing HK$'000	Total HK$'000
Segment assets	78,482	91,550	13	170,045
Segment liabilities	26,953	13,102	685	40,740
Additions to non-current assets	11	6	4	21

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. SEGMENT REPORTING *(Continued)*

b) *Reconciliations of reportable segment profit, assets and liabilities*

	2013 HK$'000	2012 HK$'000
Profit		
Reportable segment profit	**24,447**	15,596
Other revenue and other net income	**33**	24
Listing expenses	**(7,653)**	(2,771)
Consolidated profit before taxation	**16,827**	12,849
Assets		
Reportable segment assets	**211,701**	170,045
Prepaid listing expenses	**3,447**	3,015
Consolidated total assets	**215,148**	173,060
Liabilities		
Reportable segment liabilities	**80,492**	40,740
Current tax payable	**1,990**	444
Dividend payable	**—**	12,000
Consolidated total liabilities	**82,482**	53,184

c) *Information about geographical areas*

All of the activities of the Group are carried out in Hong Kong and all of the Group's revenue for the years ended 31 December 2013 and 2012 are derived from Hong Kong. Accordingly, no analysis of geographical information is presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. SEGMENT REPORTING *(Continued)*

d) *Information about major clients*

Revenues from clients contributing over 10% of the total revenue of the Group during the year are as follows:

	2013 HK$'000	2012 HK$'000
Client A	4,245	3,547
Client B	N/A	3,688

6. TURNOVER

Turnover represents commission from brokerage service, commission from underwriting and placing service (net of sub-underwriting commission) and interest income from securities and initial public offering financing service. An analysis of the Group's turnover is as follows:

	2013 HK$'000	2012 HK$'000
Commission from brokerage service	10,109	8,741
Commission from underwriting and placing service	18,937	13,062
Interest income from securities and initial public offering financing service	7,104	6,831
	36,150	28,634

7. OTHER REVENUE AND OTHER NET INCOME

	2013 HK$'000	2012 HK$'000
Interest income on		
— bank deposits	13	6
— employee's loan	14	16
Total interest income on financial assets not at fair value through profit or loss	27	22
Sundry income	19	8
	46	30

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2013 HK$'000	2012 HK$'000
a) Staff costs:		
Directors' emoluments (note 10)	**815**	1,431
Other staff costs		
— Commission paid	**732**	2,071
— Contributions to defined contribution retirement benefits scheme	**188**	181
— Medical and insurance	**67**	92
— Salaries and allowances	**3,928**	3,609
— Staff welfare and recruitment	**13**	14
	5,743	7,398
b) Other items:		
Amortisation for intangible assets	**13**	160
Auditor's remuneration	**300**	100
Impairment losses on trade receivables	**400**	—
Depreciation for property, plant and equipment	**66**	196
Operating lease charges in respect of office premises	**1,916**	1,888

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Facility arrangement fee	**50**	50

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. DIRECTORS' EMOLUMENTS

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

For the year ended 31 December 2013

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to defined contribution retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive Directors					
Lam Shu Chung (note iii)	—	240	—	12	252
Chung Chin Hung (notes iii and iv)	—	60	—	2	62
Fung Yuk Chun, Emily (note iii)	—	277	—	14	291
Chu Sung Hei (note v)	—	200	—	10	210
Non-executive Director					
Lum Pak Sum (note iii)	—	—	—	—	—
Independent Non-executive Directors					
Choy Sze Chung, Jojo (note iii)	—	—	—	—	—
Lee Siu Leung (note iii)	—	—	—	—	—
See Lee Seng, Reason (note vi)	—	—	—	—	—
	—	777	—	38	815

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

10. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 December 2012

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Contributions to defined contribution retirement benefits scheme HK$'000	Total emoluments HK$'000
Executive Directors					
Lam Shu Chung (note ii)	—	330	—	14	344
Chung Chin Hung (notes ii and iv)	—	425	30	15	470
Fung Yuk Chun, Emily (note ii)	—	360	22	15	397
Non-executive Director					
Lum Pak Sum (note ii)	112	—	—	—	112
Independent Non-executive Directors					
Lau Siu Ngor (note i)	36	—	—	—	36
Choy Sze Chung, Jojo (note ii)	36	—	—	—	36
Lee Siu Leung (note ii)	36	—	—	—	36
	220	1,115	52	44	1,431

Note:

(i) Ms. Lau Siu Ngor resigned on 1 September 2012.

(ii) On 1 August 2012, Mr. Lam Shu Chung, Mr. Chung Chin Hung, Ms. Fung Yuk Chun, Emily, Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo, and Mr. Lee Siu Leung have agreed to waive their respective emoluments of approximately HK$624,000 with effect from 1 September 2012 to 31 December 2012.

(iii) Mr. Lam Shu Chung, Mr. Chung Chin Hung, Ms. Fung Yuk Chun, Emily, Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo and Mr. Lee Siu Leung have agreed to waive their respective emoluments of approximately HK$397,000 for the period from 1 January 2013 to 25 March 2013. Director's service agreements in relation to Mr. Lam Shu Chung and Ms. Fung Yuk Chun, Emily and letters of appointment in relation to Mr. Lum Pak Sum, Mr. Choy Sze Chung, JoJo and Mr. Lee Siu Leung were terminated with effect from 25 March 2013. .

(iv) Mr. Chung Chin Hung resigned on 22 February 2013.

(v) Mr. Chu Sung Hei was appointed as executive director on 26 February 2013.

(vi) Mr. See Lee Seng, Reason was appointed as independent non-executive director on 26 February 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with the highest emoluments in the Group included 1 (2012: 3) director of the Company, details of whose emolument are disclosed in note 10. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**906**	161
Contributions to defined contribution retirement benefits scheme	**38**	8
Commission	**390**	1,806
	1,334#	1,975

Including the emoluments paid to Mr. Chung Chin Hung as disclosed in note 10.

Their emoluments of the remaining individuals with the highest emoluments are within the following bands:

	2013	2012
Nil to HK$1,000,000	**4**	1
HK$1,000,001-HK$1,500,000	**—**	—
HK$1,500,001-HK$2,000,000	**—**	1
	4	2

During the year, no emolument has been paid by the Group to the directors as set out in note 10 above or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2012: Nil).

12. RESULT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company include a loss of approximately HK$221,000 (2012: a profit of approximately HK$12,241,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. INCOME TAX

a) *Income tax in the consolidated statement of profit or loss and other comprehensive income represents:*

	2013 HK$'000	2012 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	4,047	2,744
Over-provision in respect of prior years	(10)	—
	4,037	2,744

The provision for Hong Kong Profits tax for 2013 is calculated at 16.5% (2012: 16.5%) of estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2012-13 subject to a ceiling of HK$10,000 allowed by the Hong Kong SAR Government for each business.

b) *Reconciliation between tax expense and accounting profit at applicable tax rate:*

	2013 HK$'000	2012 HK$'000
Profit before taxation	16,827	12,849
Notional tax on profit before taxation, calculated at the rate applicable to profits in Hong Kong at 16.5%	2,776	2,120
One-off tax reduction	(10)	—
Tax effect of non-taxable income	(5)	(1)
Tax effect of non-deductible expenses	1,309	612
Tax effect of unrecognised temporary differences	(25)	11
Tax effect of unused tax losses not recognised	2	2
Over-provision in prior years	(10)	—
Actual tax expense	4,037	2,744

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

13. INCOME TAX *(Continued)*

c) *Current taxation in the consolidated statement of financial position represents:*

	The Group	
	2013	2012
	HK$'000	HK$'000
Provision for Hong Kong Profits Tax for the year	**4,047**	2,744
Less: provisional profits tax paid	**(2,057)**	(2,300)
Current tax payable	**1,990**	444

d) *Deferred taxation*

The Group had no significant unprovided deferred tax assets or liabilities during the year and at the end of the reporting period (2012: Nil).

14. DIVIDENDS

An interim dividend of HK$1,200 per share, totalling HK$12,000,000 was declared by the Company during the year ended 31 December 2012. The interim dividend was paid by Capital Business to its then shareholders during the year ended 31 December 2013.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: Nil).

15. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity shareholders of the Company of HK$12,790,000 (2012: HK$10,105,000) and on the assumption that 225,000,000 shares of the Company in issue and issuable, comprising 10,000 shares in issue as at 31 December 2013, 224,990,000 shares to be issued pursuant to the Capitalisation Issue as described in the section headed "Further information about our Company" in Appendix V to the Prospectus were outstanding throughout the year.

Diluted earnings per share equal basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 December 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Computer equipment HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
At 1 January 2012	3,165	663	1,624	371	5,823
Additions	20	1	—	—	21
At 31 December 2012	3,185	664	1,624	371	5,844
At 1 January 2013	**3,185**	**664**	**1,624**	**371**	**5,844**
Additions	**122**	**—**	**—**	**—**	**122**
At 31 December 2013	**3,307**	**664**	**1,624**	**371**	**5,966**
Accumulated depreciation					
At 1 January 2012	2,984	622	1,620	371	5,597
Charge for the year	156	36	4	—	196
At 31 December 2012	3,140	658	1,624	371	5,793
At 1 January 2013	**3,140**	**658**	**1,624**	**371**	**5,793**
Charge for the year	**60**	**6**	**—**	**—**	**66**
At 31 December 2013	**3,200**	**664**	**1,624**	**371**	**5,859**
Carrying amount					
At 31 December 2013	**107**	**—**	**—**	**—**	**107**
At 31 December 2012	45	6	—	—	51

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

17. OTHER ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
Statutory and other deposits	**1,257**	525

Statutory and other deposits represent deposits with various exchanges and clearing houses. They are non-interest-bearing.

18. INTANGIBLE ASSETS

	The Group
	HK$'000
Cost	
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	3,680
Accumulated amortisation	
At 1 January 2012	3,507
Charge for the year	160
At 31 December 2012 and 1 January 2013	**3,667**
Charge for the year	**13**
At 31 December 2013	**3,680**
Carrying amount	
At 31 December 2013	**—**
At 31 December 2012	13

Note:

Intangible assets made up of trading rights of the Stock Exchange which are amortised over 5 years. The amortisation expense has been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

19. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$	HK$
Unlisted shares, at cost	**99.99**	99.99

Details of the Company's subsidiaries at 31 December 2013 are disclosed in note 2. None of the subsidiaries had any debt securities outstanding at the end of the reporting period, or at any time during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. TRADE RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables arising from the business of dealing in securities and equity option:		
— Cash clients	**2,007**	295
— Clearing house	**21,373**	5,086
— Margin finance loans	**83,357**	91,531
	106,737	96,912
Less: Allowance for doubtful debts	**(400)**	—
	106,337	96,912

The settlement terms of trade receivables from cash clients and clearing house are two days after trade date.

Margin finance loans are secured by clients' pledged securities, repayable on demand and bear interest at variable commercial rates. No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business of securities financing.

As at 31 December 2013, the total market value of securities pledged as collaterals in respect of the margin finance loans were approximately HK$291,863,000 (2012: HK$295,072,000), while no collaterals were pledged by cash clients and clearing house.

a) *Ageing analysis*

The trade receivables arising from cash clients and clearing house (net of allowance for doubtful debts) with the following ageing analysis, presented based on the trade date which approximates revenue recognition date, as at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	HK$'000
Current	**22,000**	5,345
Less than 1 month past due	**1,376**	—
1 to 3 months past due	**—**	1
More than 3 months but less than 12 months past due	**4**	35
Amounts past due	**1,380**	36
	23,380	5,381

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. TRADE RECEIVABLES *(Continued)*

a) *Ageing analysis* *(Continued)*

Receivables that were neither past due nor impaired relate to a wide range of clients for whom there was no recent history of default.

b) *Impairment of trade receivables*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movement in the allowance for doubtful debts:

	The Group	
	2013 Margin finance loans HK$'000	2012 Margin finance loans HK$'000
At 1 January	**—**	—
Impairment loss recognised	**400**	—
At 31 December	**400**	—

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate gross balance of approximately HK$400,000 as at 31 December 2013, due to the default or delinquency in interest or principal payments (2012: Nil). The Group has a policy for allowance of doubtful debts which is based on the evaluation of collectibility and ageing analysis of accounts and management's judgement including the current credit worthiness, collaterals and the past collection history of each client.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

20. TRADE RECEIVABLES *(Continued)*

c) *Trade receivables that are past due but not impaired*

The ageing analysis of the trade receivables arising from cash clients and clearing house which are past due but not impaired at the end of reporting period, are as follows:

	The Group	
	2013 HK$'000	2012 HK$'000
Less than 1 month past due	**1,376**	—
1 to 3 months past due	**—**	1
More than 3 months but less than 12 months past due	**4**	35
	1,380	36

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted and subsequent settlement up to the end of the reporting period. In the opinion of the directors of the Company, there is no further credit provision required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Other receivables	**491**	750	**—**	—
Prepayments (note i)	**3,631**	3,189	**—**	—
Rental and other deposits (note ii)	**935**	578	**—**	—
Amount due from a subsidiary (note iii)	**—**	—	**148**	—
	5,057	4,517	**148**	—

Note :

i Included in the prepayments are prepaid listing expenses of approximately HK$3,447,000 as at 31 December 2013 (2012: HK$3,015,000). During the year, listing expenses of approximately HK$7,653,000 (2012: HK$2,771,000), were charged to the consolidated statement of profit or loss and other comprehensive income.

ii Rental and other deposits expected to be recovered after more than one year is approximately HK$912,000 (2012: HK$576,000).

iii The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

22. BANK BALANCES HELD ON BEHALF OF CLIENTS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies in accordance with the Securities and Future (Client Money) Rule. These clients' monies are maintained in one or more trust bank accounts, bear interest at commercial rate with original maturity of three months or less. In the consolidated statement of financial position, the Group has classified the clients' monies as bank balances held on behalf of clients in current assets and recognised the corresponding accounts payable to the respective clients in current liabilities as 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.

23. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Cash at bank	**40,471**	43,058	**82**	85
Cash on hand	**3**	3	**—**	—
Cash and cash equivalents in the statements of financial position and the consolidated statement of cash flows	**40,474**	43,061	**82**	85

During the year, the interest rates on the cash at bank and deposits with banks of the Group ranged from nil to 0.02% (2012: Nil to 0.02%) per annum.

24. TRADE PAYABLES

	The Group	
	2013 HK$'000	2012 HK$'000
Trade payables arising from the business of dealing in securities and equity option:		
— Cash clients	**43,662**	25,422
— Margin clients	**35,398**	13,103
— Clients' deposits	**85**	621
	79,145	39,146

The settlement terms of trade payables arising from the business of dealing in securities are two days after trade date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

24. TRADE PAYABLES *(Continued)*

Trade payables to margin and cash clients bear variable interest at commercial rates, and repayable on demand subsequent to two days after trade date. No ageing analysis is disclosed as in the opinion of directors of the Company, the ageing analysis does not give additional value in view of the nature of business of dealing in securities.

The trade payables included HK$61,916,000 as at 31 December 2013 (2012: HK$27,981,000) payable to clients and clearing house in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

The fair values of the trade payables as at the end of the reporting period approximate the corresponding carrying amounts.

25. OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Accruals	**1,039**	611	**210**	—
Commission rebate to clients	**25**	154	**—**	—
Stamp duty, levy fee, trading fee, clearing fee and CCASS fee payable	**283**	144	**—**	—
Receipt in advance	**—**	685	**—**	—
Amount due to a subsidiary (note)	**—**	—	**—**	844
	1,347	1,594	**210**	844

Note: The amount is unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

26. SHARE CAPITAL

The Company

	Note	**Number of Shares**	HK$
Authorised:			
At 1 January 2012, ordinary shares of US$1 each	(i)	50,000	390,000
Increase in authorised ordinary shares of HK$0.01 each	(ii)	20,000,000,000	200,000,000
Cancellation of ordinary shares of US$1 each	(iii)	(50,000)	(390,000)
At 31 December 2012, 1 January 2013 and 31 December 2013, ordinary shares of HK$0.01 each		20,000,000,000	200,000,000
Issued and fully paid:			
At 1 January 2012, ordinary shares of US$1 each	(i)	1	7.80
Repurchase of ordinary share of US$1 each	(iii)	(1)	(7.80)
Issue of new share of HK$0.01 each	(iii)	1	0.01
Issue of new shares of HK$0.01 each upon reorganisation	(iv)	9,999	99.99
At 31 December 2012, 1 January 2013 and 31 December 2013, ordinary shares of HK$0.01 each		10,000	100

Note:

(i) On 5 January 2009, the Company was incorporated in Cayman Islands with an authorised share capital of HK$390,000 divided into 50,000 ordinary shares of US$1 each. 1 ordinary share was issued and paid up by Time Era Limited.

(ii) Pursuant to the written resolution of all shareholders of the Company passed on 16 April 2012, the authorised share capital of the Company was increased to the aggregate of US$50,000 and HK$200,000,000 by the creation of an additional of 20,000,000,000 shares of HK$0.01 each.

(iii) Pursuant to the written resolution of all the shareholders of the Company passed on 16 April 2012, the Company allotted and issued one share of HK$0.01 at par to Time Era Limited and the Company repurchased the existing subscriber share of par value of US$1 held by Time Era Limited at par. The Company cancelled all unissued shares of the Company of par value of US$1 each.

(iv) Pursuant to the agreement for sale and purchase of the entire issued share capital of Capital Business on 16 April 2012, the Company acquired 1,000 ordinary shares of US$1 each in Capital Business, being its entire issued share capital, from Time Era Limited. In consideration thereof, an aggregate of 9,999 new ordinary shares of HK$0.01 each of the Company, credited as fully paid, were allotted and issued to Time Era Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

27. RESERVES

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. 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:

The Company

	Retained profits HK$'000	**Total** HK$'000
At 1 January 2012	—	—
Profit and total comprehensive income for the year	12,241	12,241
Dividends	(12,000)	(12,000)
At 31 December 2012 and 1 January 2013	241	241
Loss and total comprehensive loss for the year	(221)	(221)
At 31 December 2013	**20**	**20**

Note:

(i) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of share capital of Capital Business acquired pursuant to the Group Reorganisation and the nominal value of share capital of the Company issued in exchange thereof.

(ii) Distributability of reserves

As at 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$20,000 (2012: HK$241,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

28. EMPLOYEE RETIREMENT BENEFIT

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 scheme administered by independent trustees. Under the MPF scheme, the Group and its employees are each required to make contributions to the scheme 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 scheme vest immediately.

29. OPERATING LEASE COMMITMENT

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**2,996**	1,416
After one year but within five years	**5,242**	—
	8,238	1,416

Operating leases relate to office premises with lease term of 3 years. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. 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 10 and certain of the highest paid employees as disclosed in note 11, are as follows:

	2013 HK$'000	2012 HK$'000
Fees	**—**	220
Salaries, allowances and benefits in kind	**1,101**	1,115
Discretionary bonuses	**—**	52
Contributions to retirement benefits scheme	**52**	44
	1,153	1,431

b) *Other related party transactions*

In addition to the information disclosed elsewhere in the financial statements, the Group has entered into the following related party transactions during the year:

	Relationship	**Nature of transactions**	Note	**2013 Paid/ (received) HK$'000**	**2012 Paid/ (received)** HK$'000
Fung Yuk Chun, Emily	Director of the Company	Brokerage commission income received	(ii)	**(11)**	(18)
		Interest income received from securities and initial public offering financings	(i)	**(4)**	(39)
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	Brokerage commission income received	(ii)	**(3)**	(1)
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	Brokerage commission income received	(ii)	**(24)**	(5)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

30. RELATED PARTY TRANSACTIONS *(Continued)*

b) *Other related party transactions* *(Continued)*

Note:

i) The interest income was calculated at variable rate which ranged from 8.25% to 11.25%.

ii) The commission income was calculated at staff rates which ranged from 0.025% to 0.1% (subject to minimum charge up to HK$100).

c) In addition to the information disclosed elsewhere in the financial statements, the Group had balances due to related parties included in trade payables as at the end of the reporting period as follows:

	Relationship	Nature of account	2013 Trade payables HK$'000	2012 Trade payables HK$'000
Fung Yuk Chun, Emily	Director of the Company	— Margin account	**(119)**	(1,158)
		— Cash account	**(130)**	(9)
Chung Chin Hung, Paul	Director of the Company (resigned as director on 22 February 2013)	— Margin account	**(1)**	(1)
Lai Yung Lan, Joanna	The spouse of Chung Chin Hung, Paul	— Cash account	**(74)**	(439)

d) At 31 December 2012 and 2013, certain credit facilities granted to the Group were secured by personal guarantees executed by Mr. Lam Shu Chung, a director of the Company. The details of the credit facilities are disclosed in note 31.

e) During the year, Mr. Lam Shu Chung, a director of the Company, had provided personal guarantee to secure the obligation of Orient Securities as tenant under a tenancy agreement for leasing of commercial premises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

31. CREDIT FACILITIES

a) At 31 December 2012 and 2013, the Group had the following banking facilities with Chong Hing Bank Limited:

— bank overdraft facility to the extent of HK$10,000,000. Interest is charged at prime lending rate as quoted by Chong Hing Bank Limited per annum. There is no fixed dates or terms of repayment of the bank overdraft; and

— revolving short-term bank loan facility to the extent of HK$10,000,000. Interest is charged at the rates which ranged from 2% to 2.5% per annum above the Hong Kong Inter-Bank Offered Rate ("HIBOR").

At 31 December 2012 and 2013, the banking facilities were secured by the following:

— pledge over listed securities owned by the margin clients of the Group. No listed securities were pledged as at 31 December 2012 and 2013; and

— a personal guarantee to the extent of HK$20,000,000 executed by Mr. Lam Shu Chung, a director of the Company. Consent has been obtained that the personal guarantee given by Mr. Lam Shu Chung would be released upon listing of the Company's shares on the GEM of the Stock Exchange.

b) As at 31 December 2012 and 2013, the Group had standby loan facilities with Sun Hung Kai Structured Finance Limited, to the extent of HK$30,000,000. Interest is charged at prime rate offered by Standard Chartered Bank plus 5% per annum and the standby loan facilities were unsecured.

c) As at 31 December 2012 and 2013, the Group had not utilised any of the above credit facilities.

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of capital and reserves, which include issued share capital and reserves as set out on the consolidated statement of financial position, consolidated statement of changes in equity and respective notes. The Group's overall strategy remains unchanged from 2012.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group manages its overall capital structure through the drawdown and repayment of bank borrowings, payment of dividends and issuance of share capital.

A subsidiary of the Group, Orient Securities is licensed with Securities and Futures Commission ("SFC") for the business it operates in. Orient Securities is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under the SF(FR)R, Orient Securities must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. The required information is filed with the SFC on a monthly basis. Orient Securities has complied to maintain the required amount of liquid capital throughout the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group		The Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Financial assets				
Trade receivables	**106,337**	96,912	**—**	—
Other receivables	**491**	750	**—**	—
Amount due from a subsidiary	**—**	—	**148**	—
Dividend receivable	**—**	—	**—**	13,000
Bank balances held on behalf of clients	**61,916**	27,981	**—**	—
Cash and cash equivalents	**40,474**	43,061	**82**	85
Loans and receivables	**209,218**	168,704	**230**	13,085
Financial liabilities				
Trade payables	**79,145**	39,146	**—**	—
Other payables and accruals	**1,347**	1,594	**210**	844
Dividend payable	**—**	12,000	**—**	12,000
Financial liabilities at amortised cost	**80,492**	52,740	**210**	12,844

Financial risk management objectives and policies

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

a) Currency risk

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to other receivables, bank deposits and trade payables to margin and cash clients denominated in foreign currency. The management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies (Continued)

a) *Currency risk* *(Continued)*

It is the Group's policy for each operating entity to operate in local currencies as far as possible to minimise currency risk. Most of the Group's principal businesses are conducted and recorded in HK$, the functional currency of the companies now comprising the Group, with certain other receivables, bank deposits and trade payables to margin and cash clients denominated in United States Dollars ("US$") and Renminbi ("RMB"). For presentation purpose, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date as follows:

The Group
Exposure to foreign currencies (expressed in HK$)

	2013		2012	
	RMB	**US$**	RMB	US$
	HK$'000	**HK$'000**	HK$'000	HK$'000
Other receivables	**—**	**238**	—	464
Bank balances held on behalf of clients	**—**	**276**	—	439
Cash and cash equivalents	**231**	**58**	231	27
Trade payables	**—**	**(62)**	—	(865)
Net exposure arising from recognised assets and liabilities	**231**	**510**	231	65

The Company has no significant exposure to currency risk as at 31 December 2012 and 2013.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars against US$/RMB while all other variables are held constant. 5% is the sensitivity rate used when reporting foreign currency risk internally adopted by key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusted at the end of the reporting period for a 5% change in foreign currency rates.

A positive number below indicates an increase in profit after tax and retained profits where Hong Kong dollars weakens by 5% against the relevant currency. For a 5% strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit after tax and retained profits. The analysis is performed on the same basis for 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies (Continued)

a) *Currency risk (Continued)*

Sensitivity analysis *(Continued)*

	The Group			
	2013		2012	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
RMB	**5%**	**12**	5%	12
	(5%)	**(12)**	(5%)	(12)
US$	**5%**	**25**	5%	3
	(5%)	**(25)**	(5%)	(3)

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

b) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate margin finance loans, bank balances and trade payables.

The Group's cash flow interest rate risks are mainly related to the fluctuation of HIBOR for best lending rate arising from the Group's interest-bearing financial instruments. The Group's exposure to interest rates changes on financial assets and financial liabilities are detailed below.

Financial instruments with variable interest rates are as follows:

	The Group				The Company			
	2013		2012		**2013**		2012	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000	**Effective interest rate**	**HK$'000**	Effective interest rate	HK$'000
Assets								
Margin finance loans (net)	**8.25%**	**82,957**	8.25%	91,531	**—**	**—**	—	—
Bank balances	**0.02%**	**98,323**	0.02%	59,087	**0.02%**	**82**	0.02%	85
Liabilities								
Trade payables	**0.02%**	**79,145**	0.02%	39,146	**—**	**—**	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

b) *Interest rate risk* (Continued)

Sensitivity analysis

The analysis is prepared assuming the margin finance loans, bank balances and trade payables outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used, which represents management's assessment of the reasonable possible change in interest rates.

As at 31 December 2013, if interest rates had been 100 basis point higher/lower and all other variables were held constant, the Group's profit after tax and retained profits would have increased/decreased by approximately HK$1,021,000 (2012: HK$1,115,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates. The analysis is performed on the same basis for 2012.

c) *Credit risk*

The Group's credit risk is primarily attributable to trade receivables due from clients and clearing house. Management has a credit policy in place and the exposure to the credit risk is monitored on an on-going basis.

In respect of trade receivables due from clients, individual credit evaluations are performed on all clients including cash and margin clients. Cash clients are required to place deposits as prescribed by the Group's credit policy before execution of any purchase transaction. Receivables due from cash clients are due within the settlement period commonly adopted by the relevant market convention, which is usually within two days from the trade date. Because of the prescribed deposit requirements and the short settlement period involved, credit risk arising from the trade receivables due from cash clients is considered small. The Group normally obtains liquid securities and/or cash deposits as collateral for providing margin financing to its clients. Margin finance loans due from margin clients are repayable on demand. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

In respect of trade receivables due from clearing house, credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

c) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client rather than the industry or country in which the clients operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual clients. As at 31 December 2013, 14% (2012: 13%) and 41% (2012: 43%) of the total trade receivables due from clients were due from the Group's largest client and the five largest clients respectively.

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.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 20.

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

The Company's credit risk is primarily attributable to dividend receivable. The Company reviews the recoverable amount of individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amount.

d) Liquidity risk

Internally generated cash flow is the source of funds to finance the operations of the Group. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet their respective financial obligations.

As at 31 December 2012 and 2013, the Group has available unutilised banking facilities of approximately HK$50,000,000.

The following tables detail the Group's and the Company's remaining contractual maturities at the end of the reporting period for its financial liabilities. The tables have been drawn up based on contractual undiscounted cash flows of financial liabilities and based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

d) *Liquidity risk* *(Continued)*

The Group

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
31/12/2013					
Trade payables	79,145	—	—	79,145	79,145
Other payables and accruals	1,347	—	—	1,347	1,347
	80,492	—	—	80,492	80,492
31/12/2012					
Trade payables	39,146	—	—	39,146	39,146
Other payables and accruals	1,594	—	—	1,594	1,594
Dividend payable	12,000	—	—	12,000	12,000
	52,740	—	—	52,740	52,740

The Company

	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Carrying amount at the end of the reporting period HK$'000
31/12/2013					
Other payables and accruals	210	—	—	210	210
31/12/2012					
Other payables and accruals	844	—	—	844	844
Dividend payable	12,000	—	—	12,000	12,000
	12,844	—	—	12,844	12,844

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

33. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies (Continued)

e) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values as at 31 December 2013 and 2012 respectively.

34. 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 the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[3]
HKFRS 9	Financial Instruments[4]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK (IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014.
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
[3] Effective for annual periods beginning on or after 1 July 2014.
[4] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

35. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 31 December 2013 to be Time Era Limited, a company incorporated in the British Virgin Islands, which has not produced financial statements available for public use. The directors of the Company consider the ultimate controlling party of the Group to be Mr. Lam Shu Chung.

36. EVENTS AFTER THE REPORTING PERIOD

The following significant event took place subsequent to 31 December 2013:

(i) On 19 December 2013, pursuant to the resolution of the then sole shareholder of the Company, it was approved to issue 224,990,000 ordinary shares of HK$0.01 each to Time Era Limited by way of capitalisation of HK$2,249,900 from the share premium account upon listing of the Company's shares on the Stock Exchange. Such shares were issued on 15 January 2014.

(ii) On 15 January 2014, 75,000,000 ordinary shares of HK$0.01 each of the Company were issued at HK$0.60 by way of placing. On the same date, the Company's shares were listed on the GEM of the Stock Exchange.

(iii) On 5 March 2014, the Company entered into a loan agreement with a subsidiary, Orient Securities. The Company agreed to advance an unsecured loan to Orient Securities in the amount of HK$32,000,000 and the unsecured loan is non-interest bearing.

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December			
	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
TURNOVER	48,924	29,096	28,634	**36,150**
Other revenue and other net income	129	92	30	**46**
	49,053	29,188	28,664	**36,196**
Staff costs	(9,291)	(8,912)	(7,398)	**(5,743)**
Administrative expenses	(8,068)	(6,757)	(5,596)	**(5,923)**
Finance costs	(110)	(50)	(50)	**(50)**
Listing expenses	(997)	(952)	(2,771)	**(7,653)**
PROFIT BEFORE TAXATION	30,587	12,517	12,849	**16,827**
Income tax	(5,295)	(2,288)	(2,744)	**(4,037)**
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	25,292	10,229	10,105	**12,790**
Other comprehensive income for the year	—	—	—	**—**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	25,292	10,229	10,105	**12,790**
EARNINGS PER SHARE Basic and diluted	11.24 cents	4.55 cents	4.49 cents	**5.68 cents**

ASSETS AND LIABILITIES

	As at 31 December			
	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013** **HK$'000**
Total assets	194,594	164,629	173,060	**215,148**
Total liabilities	(63,052)	(42,858)	(53,184)	**(82,482)**
Net assets	131,542	121,771	119,876	**132,666**