REORIENT GROUP LIMITED

STOCK CODE 376 | ANNUAL REPORT 2011

REORIENT 瑞東

Contents

Corporate Information

Board of Directors

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Zhang Binghua
Mr. Chen Shengjie
Ms. Angelina Kwan
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Independent Non-Executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Ms. Chow Fuk Wai

Auditor

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Unit 1, 15th Floor, The Center
99 Queen's Road Central, Hong Kong

Bankers

HSBC
Chong Hing Bank
Standard Chartered Bank
Bank of China
Hang Seng Bank

Solicitors

Linklaters

Registered Office and Principal Office

Suites 1102-03
11/F, Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Share Registrar

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

Website

www.reorientgroup.com

Stock Code

376

Chairman's Statement

Dear Fellow Shareholders:

2011 was a challenging, yet an exciting year for REORIENT. The financial services industry has undergone extensive change since the global financial crisis. The Group sees the need to provide the markets with an alternative approach, one that is more innovative, flexible and nimble and can best cater for the needs of countries, new markets, corporations and investors.

After more than two years of restructuring, the Group successfully completed this process on 9 August 2011 and resumed trading on 10 August 2011. The resumption of trading was the first of many steps aimed at transforming the Group into a global market force. With a revived platform, the Group's vision is to build a Hong Kong-based global financial services firm that will serve as a bridge between Chinese and Asian companies and their investors and Western counterparts.

Western entities have been actively investing in China since Chinese paramount leader Deng Xiaoping opened the country to foreign investment and activity in the 1970s. With the relative strength of business in China, the weak dollar, the Eurozone crisis and the significant number of distressed businesses in the U.S. and in Europe, we believe that now more than ever is the time for China to "Go Out" and invest in the West. "Going Out" is a prioritized strategy for state-owned enterprises ("SOEs") in the 12th Five Year Plan. China has the appetite to acquire strategic foreign assets which include resources, commodities and technology. Moreover, the country has the funds and the reserves to do so. The Group is well positioned to serve and support such a mission. REORIENT has established a joint venture with China Chengtong Asset Management Corporation ("CCT Asset Management") that allows the Group to gain access to SOE assets and potential deal flows. China Chengtong Holdings Group Limited ("CCT") is the holding company of CCT Asset Management. CCT is an indirect shareholder of the Company which holds a 20% shareholding of Gainhigh Holdings Limited, the substantial shareholder of the Company.

CCT Asset Management is principally engaged in managing and operating state-owned assets. CCT is mandated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") as a state-owned asset operating company and thus it is a primary platform under SASAC for SOE restructuring. CCT has more than one hundred subsidiaries which operate and manage an asset pool of approximately RMB70 billion. It continues receiving assets from SASAC. We intend to leverage on the resources of CCT, our capital markets expertise and our extensive international clientele to provide strategies, access to capital market funds and value added services to our partners, clients and investors.

Since the resumption of trading of the Company's shares, the Group has established itself as a force in both equity sales and trading and investment banking. As at the end of 31 December 2011, we have added eight high caliber institutional sales traders and have begun to establish a global client network of institutional investors, listed companies and sovereign wealth funds. By building a solid global client network, the Group can better connect East and West.

We have also added two research analysts. Instead of publishing stock-specific reports, our research focuses more on macro themes and on providing insights into China's sectors and policies. As the world becomes more in tune with the subtle nuances of the Chinese markets, the need for alternative research abilities arises. Through our network within and outside China, the Group will offer a unique approach on the research side.

Chairman's Statement

In the investment banking area, the Group has hired nine experienced corporate finance advisors and bankers to provide services. The Group's investment banking services unit is taking a multi-disciplinary approach offering clients comprehensive, creative solutions to achieve their objectives in the form of IPOs, M&A transactions, capital raisings, restructurings, takeovers, privatizations and other areas.

In 2011, we revived the Group from liquidation, resumed trading of the Company's shares on the Stock Exchange and began building up our global financial services platform. The Group is pleased to have received support and trust from our management, employees, partners, clients, shareholders, stakeholders and investors. On behalf of the board of directors of the Company, I would like to express my sincere gratitude and appreciation to them. Our will and determination to grow the Group is as strong as ever, we see many exciting opportunities ahead of us. In 2012, the Group will continue to expand its platform to offer other financial products, markets and services. Everyone in our Group shares the same dream and is committed to serve our clients and investors with competency, humility and integrity. We look forward to your continued support in the coming year.

Sincerely,

Ko Chun Shun, Johnson
Chairman

Overall Performance

REORIENT GROUP LIMITED (formerly known as Asia TeleMedia Limited, the "Company", together with its subsidiaries, the "Group") accomplished a number of significant milestones and achievements in 2011 that eventually led to its turnaround and relisting. On 1 April 2011, the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") approved the resumption of trading in the shares of the Company subject to certain conditions.

On 3 May 2011, the Company moved its headquarters to a new and larger office in order to cope with its planned business expansion and infrastructure improvements. Then on 5 August 2011, the high court of Hong Kong ordered the permanent stay of the winding up order against the Company and the release and discharge of the Liquidators was granted. On 9 August 2011, all conditions precedent to the restructuring agreement dated 15 April 2011 (the "Restructuring Agreement") and the subscription agreement dated 7 June 2011 (the "Subscription Agreement") (collectively referred to as the "Restructuring") were fulfilled and the Restructuring and Subscription Agreements were completed. Upon completion of the Restructuring, all the then existing directors were removed and nine new directors of the Company (the "Directors") were appointed to the new board of directors of the Company (the "Board"). On 10 August 2011, trading in the shares of the Company resumed on the main board of the Stock Exchange. Upon completion of the Restructuring Agreement and the Subscription Agreement, Gainhigh Holdings Limited ("Gainhigh") became the major shareholder of the Company. Gainhigh is beneficially 80%-owned by Mr. Ko Chun Shun, Johnson, the Chairman and an executive director of the Company, and is 20%-owned by China Chengtong Holdings Group Limited, which has formally become a strategic partner of the Group. On 25 October 2011, the Company changed its name to REORIENT GROUP LIMITED, and rebranded most of its subsidiaries accordingly.

From September through November 2011, eight qualified institutional traders and salespersons commenced employment with the Group. Further a team of corporate finance professionals also joined the Group during that time. In addition, support staff in the areas of Compliance, Operations, Finance, Administration/Human Resources and Information Technology were recruited, bringing the head count of the office to 44 persons as at 31 December 2011.

For the year ended 31 December 2011, the Group's turnover was approximately HK$22.21 million (2010: approximately HK$14.04 million), representing an increase of 58.19%.

With the move to the new office, renovation costs, investment in information technology infrastructure as well as the recruitment of experienced securities trading, corporate finance and supporting professionals, the cost of operations of the Group has increased markedly. For the year ended 31 December 2011, operating expenses were approximately HK$62.28 million (comprising staff costs, other operating expenses and finance costs) against 2010: approximately HK$11.88 million, which increase was expected and necessary to restructure and build up the Group's business operations. With the Group's restructuring taking place with less than five months of the year remaining, the Group recorded a net loss of approximately HK$8.80 million (2010: a net profit of approximately HK$2.51 million).

Overall Performance *(Continued)*

The Group's lines of business and their performance are detailed below:

Securities Trading

The Group executes trades in respect of securities listed on various exchanges in the Asia Pacific region on behalf of its retail and institutional clients for which it charges a commission. The Group also generates fees in respect of share transfers, custodial services and foreign exchange. The competition in the retail and institutional brokerage space has been very fierce with a number of brokers cutting commissions. Profit margins have narrowed significantly while the cost of operations as well as compliance has increased. The Group invested a significant amount of funds on new trading, clearing and settlement systems for both the retail and institutional platforms to position the Group to handle institution business and to improve its handling of retail business.

As at 31 December 2011, the Group had more than 4,000 retail clients, of which approximately 1,100 were active. The commission rates on retail securities dealing are agreed between the Group and clients by negotiation and may vary on a case-by-case basis — with an average rate of 0.20% (subject to a minimum charge) for securities trading orders.

With the various institutional sales traders starting employment at different dates, institutional trading for the Group began in November 2011. The initial response has been very good with a number of institutional clients ranging from hedge funds, corporates and long-only funds opening accounts with the Group despite a difficult economic environment and competition.

For the year ended 31 December 2011, the total value of transactions in relation to securities brokerage by the Group amounted to approximately HK$3.911 billion. The Group's income generated from securities brokerage amounted to approximately HK$9.76 million, representing 43.94% of the Group's revenue for the year ended 31 December 2011.

Placing and underwriting

The Group acts as a placing agent and an underwriter/sub-underwriter for the placing of existing and/or new shares of companies listed on the Stock Exchange. The placing or underwriting commission charged by the Group is subject to negotiation with the client or company concerned and is generally in line with market practice and pricing.

During the year ended 31 December 2011, the Group completed four placing and sub-underwriting transactions. The Group will continue to participate in placings and underwriting/sub-underwriting exercises. For the year ended 31 December 2011, the total value of transactions in relation to placings and underwriting by the Group amounted to approximately HK$344 million. The Group's income generated from placing and underwriting amounted to approximately HK$3.54 million, representing 15.94% of the Group's total revenue for the year ended 31 December 2011.

Corporate finance

With the reactivation of the Group's Type 6 licence in respect of advising on corporate finance activities in December 2010 and the recruitment of a team of experienced and talented corporate finance executives in the last few months of 2011, the Group has been building up its corporate finance business. For the year ended 31 December 2011, income generated from consultancy and advisory services amounted to approximately HK$8.61 million, representing 38.77% of the Group's revenue for the year ended 31 December 2011.

Overall Performance *(Continued)*

Consulting services

In November 2010, China Chengtong Asset Management Corporation ("CCT Asset Management"), a wholly owned subsidiary of China Chengtong Holdings Group Limited (together with its subsidiaries, the "CCT Group") mandated REORIENT Financial Markets Limited (formerly known as Mansion House Securities (F.E.) Limited), ("RFM"), a wholly owned subsidiary of the Company, to provide advisory and consulting services for three projects with a view to reorganizing and/or restructuring the assets in the projects for potential public listings or other corporate fund raising transactions (e.g. private equity, loans, debt, etc.). The income generated from the consulting services amounted to HK$0.3 million, representing 1.35% of the Group's revenue for the year ended 31 December 2011.

Compliance and Financial Resources

The Group has appointed a full time Head of Compliance who ensures compliance in full and at all times with the Securities and Futures Commission's ("SFC") codes, rules and regulations as well as local and international rules and laws. The Group's main operating subsidiary, RFM, which is licensed by the SFC, met the financial resources requirements throughout the year.

Administration and Human Resources

The Group used a combination of search firms and personal introductions to attract and recruit top talent from the major investment banks and brokerages in Asia. Many of the new professionals were attracted to the Group's business plans, partners, and key staff. As a result the Group has now staffed up operations and is at full complement for the time being. All staff are remunerated with a basic salary amount, a mandatory provident fund contribution, with a discretionary bonus awarded according to performance. The firm has adopted a share option scheme for employees and other eligible participants.

Management experience and expertise

The management team is comprised of persons with a great deal of experience, expertise and who are veterans of the financial services industry. Mr. Brett Mcgonegal, the chief executive officer of RFM, Ms. Angelina Kwan, the chief operating officer of RFM, Mr. Jason Boyer, vice chairman of RFM, Mr. Brad Ainslie, head of global markets of RFM, Mr. Uwe Parpart, chief strategist of RFM and Mr. John Maguire, head of corporate finance of RFM, all have extensive trading, management, regulatory and compliance experience having worked for a variety of financial institutions in Asia and the United States. With the extensive experience, contacts and knowledge of the new management team, the Group is well poised to grow its business and to react promptly to changes in market conditions.

Strong strategic partnerships in China

CCT Asset Management is principally engaged in managing and operating state-owned assets and it is wholly owned by the CCT Group. China Chengtong Holdings Group Limited, the parent company of CCT Group, is an entity designated by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") to deal with and handle the operations of many state-owned assets. CCT Asset Management is not only responsible for carrying out the reorganization and restructuring of state-owned assets but is also responsible for the improvement of the structure of state-owned enterprises. CCT Group has been entrusted by SASAC to assist a number of state-owned enterprises to improve their competitiveness and profitability.

Overall Performance *(Continued)*

Strong strategic partnerships in China (Continued)

In addition to being a strategic partner of the Group, CCT Asset Management and the Group have established a joint venture company in Beijing to advise CCT Group and other companies in respect of the reorganization and restructuring of the non-core and non-performing assets of state-owned enterprises in the PRC mandated to CCT Group by SASAC. CCT Asset Management has already begun to introduce the Group to those state-owned enterprises and thus has begun to provide the Group with a steady stream of potential businesses where the Group can assist in raising capital, introducing sellers or buyers and listing on the Stock Exchange or other markets. Having a vested interest, the Group believes that CCT Group will have the incentive to refer business to the Group. RFM may be offered priority to provide services in respect of assets operated and managed by CCT Asset Management. With the strategic tie-up with CCT Group, the Group is confident that it will be able to expand its business operations in the foreseeable future through CCT Group's special status and networks.

Looking Forward

2012 is expected to be a year of volatility, uncertainty, but yet with opportunities. With the European Financial Crisis looming and weaknesses in the American economy, the year ahead is full of uncertainty. The downturn caused by the European Financial Crisis has caused concern that Europe's problems will spread to Asia, causing an economic downturn. With the closures of or layoffs at a number of Asian based financial institutions, this has led to pessimism in the market as well as a tightening of the credit markets. However, a number of new business ventures, transactions and players have emerged, presenting new opportunities for the Group.

The Group believes that because of its size, its business plans, and its maneuverability, it will weather this storm and emerge stronger.

The future will be difficult and challenging. The Board is determined to improve returns to stakeholders and to carry out its plans in bringing a new paradigm to the financial services industry.

Liquidity and Financial Resources

The Group's total shareholders' equity amounted to approximately HK$256 million as at 31 December 2011 as compared to capital deficiency of approximately HK$107 million reported at the end of last year. The change was attributable to the loss reported for the year ended 31 December 2011 and to capital restructuring measures undertaken by the Group during the year.

To strengthen the Group's capital base and to provide financial resources for working capital and expansion needs, in August 2011 the Company issued (i) 128,225,806 shares at HK$0.62 per share, raising HK$79.5 million and (ii) convertible notes, raising HK$92.5 million. In September 2011, the Company had a top-up placement of 67 million shares at HK$3.00 per share, adding new capital of approximately HK$200 million.

The liquidity ratio as at 31 December 2011 improved significantly at 4.9 times for reasons outlined above, as compared to 0.49 times as at 31 December 2010. The Group had no borrowing at the end of the reporting period, while it had approximately HK$84 million in borrowings and a capital deficiency of approximately HK$107 million as at 31 December 2010.

During the year, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2011.

Foreign Exchange Risk

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange amounts in the different currencies. The Group considers that its exposure to US dollar ("USD") is insignificant on the ground that the Hong Kong dollar is pegged to the USD. The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its bank balances in currencies other than the USD, such as the Japanese Yen and the Renminbi. The management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

Material Acquisitions and Disposals of Subsidiaries

Pursuant to the Restructuring Agreement, all the issued shares of certain members of the Group (the "Disposed Companies") were upon completion of the Restructuring, transferred to a nominee of the scheme administrators for the benefit of the Scheme Creditors (as defined below) at a nominal consideration of HK$1.00 and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Disposed Companies was released and discharged in full.

As a result, the Disposed Companies have ceased to be subsidiaries of the Company and their assets, liabilities and results have not been consolidated in the financial statements of the Group after completion of the Restructuring in August 2011. A gain of approximately HK$37,000 in respect of the disposal of the Disposed Companies was recorded for the year ended 31 December 2011.

Further details regarding the Restructuring are set out in the circular of the Company dated 28 June 2011. The list of subsidiaries of the Company as of 31 December 2011 is set out in Note 21 to the financial statements.

On 21 October 2011, Fast Capital Holdings Limited ("Fast Capital"), a wholly-owned subsidiary of the Company, and Beijing Chengtong Investment Management Company ("Beijing Chengtong"), a wholly-owned subsidiary of CCT Asset Management entered into a joint venture agreement to establish Beijing Chengtong Reorient Investment Consultancy Limited (the "BCRJV"), a Chinese-foreign equity joint venture in Beijing, PRC. The BCRJV will engage in the provision of investment management consulting and advisory services for state-owned enterprises in the PRC. Pursuant to the joint venture agreement, the BCRJV will be owned as to 51% equity by Fast Capital and 49% by Beijing Chengtong. The BCRJV's registered capital is RMB10,000,000 and Fast Capital's and Beijing Chengtong's committed share of capital injection is RMB5,100,000 and RMB4,900,000 respectively. As at the end of the reporting period, the BRCJV has been registered in Beijing. Fast Capital's committed capital injection will be made in accordance with the terms of the joint venture agreement.

Charge of assets

At the end of the reporting period, the Group did not have any charges of assets.

Staffing and remuneration

As at 31 December 2011, the Group employed 44 full time employees, all of which were located in Hong Kong. The remuneration of employees includes salary, commission, sign-on payments and discretionary bonuses. The Group also adopted a share option scheme to provide an incentive to the employees.

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

Executive Directors

Mr. Ko Chun Shun, Johnson ("Mr. Ko"), aged 60, is the Chairman of the Company and an executive Director, the chairman of the nomination committee and a member of the remuneration committee. Mr. Ko beneficially holds 80% interest in Gainhigh Holdings Limited ("Gainhigh"), the controlling shareholder of the Company. Mr. Ko is the father of Ms. Ko Wing Yan, Samantha, one of the executive Directors. Mr. Ko is currently the chairman and an executive director of Varitronix International Limited (stock code: 710) and DVN (Holdings) Limited (stock code: 500), and vice-chairman and an executive director of China WindPower Group Limited (stock code: 182), the shares of which are all listed on the Stock Exchange. Mr. Ko is also a substantial shareholder of the Company, China WindPower Group Limited, DVN (Holdings) Limited and Varitronix International Limited. Mr. Ko has extensive experience in a variety of activities, including manufacturing, securities trading, international trade, electronics and the wind power industry. He also has extensive experience in corporate finance, corporate restructuring and mergers and acquisitions. Mr. Ko was the chairman and executive director of Sheng Yuan Holdings Limited (formerly known as MAE Holdings Limited) (stock code: 851) from July 2007 to June 2009. As at the date hereof, Mr. Ko is deemed to be interested in 277,624,382 ordinary shares of the Company (the "Shares") through his interests in Gainhigh under the Securities and Futures Ordinance (the "SFO").

Mr. Zhang Binghua, aged 58, is an executive Director. Mr. Zhang is the general manager, legal representative and Communist Party Committee Deputy Secretary of CCT Asset Management. Mr. Zhang is the president (legal representative) and Communist Party Committee Deputy Secretary of China Container Holding Group Company, a member of CCT Group, a post he has held since 2000.

Mr. Zhang graduated with a mechanics major from Zhejiang University and is a senior engineer. He is experienced in asset injections, enterprise management and human resource management, especially the operation and asset disposal of distressed enterprises.

Mr. Chen Shengjie, aged 50, is an executive Director. Mr. Chen is the general manager (legal representative) and Communist Party Committee Branch Secretary of China Chengtong Resources Recycling Development & Utilization Company, a post he has held since 2004.

Mr. Chen is an EMBA graduate of Tsinghua University and is a registered accountant in the PRC. Mr. Chen has been a chief of a division in the Commerce and Trade Audit Department under the National Audit Office of the PRC, the assistant to the general manager of China National Nonferrous Materials Corporation（中國有色金屬材料總公司）and the chief accountant of CCT Group.

Executive Directors *(Continued)*

Ms. Angelina Kwan, aged 46, is an executive Director and an authorised representative of the Company. Ms. Kwan is a director, the Chief Operating Officer and Executive Managing Director of REORIENT Financial Markets Limited (formerly known as Mansion House Securities (F.E.) Limited) ("RFM"), a wholly-owned subsidiary of the Company. Ms. Kwan is also a director of a number of subsidiaries of the Company. She is currently responsible for all supporting functions and operating aspects of the Group. Ms. Kwan was formerly the Chief Executive Officer of RFM from September 2010 until the Company was successfully restructured and resumed trading. Ms. Kwan was also the responsible officers of RFM holding licences in respect of types 1, 4 and 6 regulated activities under the SFO. Ms. Kwan is the former Managing Director, Chief Operating Officer — Asia Pacific for Cantor Fitzgerald in the Asia Pacific region. Prior to joining Cantor Fitzgerald, Ms. Kwan worked at the Securities and Futures Commission ("SFC") where she was a Director of the Supervision of Markets Division as well as a Director of the Enforcement Division. Ms. Kwan has over 25 years of experience in business management, operations, regulation, compliance, audit and internal audit across a wide range of businesses in both Asia and the United States.

Ms. Kwan is a certified public accountant both in Hong Kong and the United States. She holds a Bachelor of Science in Business Administration (Accounting), an M.B.A. (Finance) and a Bachelor of Laws. She is an Honorary Professor of Finance at Hong Kong Polytechnic University, a SFC appointed Director and Fellow of the Hong Kong Securities Institute and a Director of the Securities and Investments Development Corporation (the training arm of the Securities Commission of Malaysia). Ms. Kwan lectures frequently for the Hong Kong Polytechnic University, Hong Kong Securities Institute, various international regulatory organizations and course providers.

Mr. Tsoi Tong Hoo, Tony, aged 47, is an executive Director. Mr. Tsoi is the chief executive officer and an executive director of Varitronix International Limited (stock code: 710). Mr. Tsoi graduated from The University of Western Ontario, Canada with an honors degree in business administration in 1986. He served as the deputy chairman of the Listing Committees of the Main Board and the Growth Enterprise Market of the Stock Exchange from 2008 to 2009. He is a non-executive director of China WindPower Group Limited (stock code: 182) and Ocean Grand Holdings Limited (stock code: 1220) and an independent non-executive director of Fairwood Holdings Limited (stock code: 52), the shares of which are all listed on the Stock Exchange. Mr. Tsoi is the deputy chairman of the supervisory board of Data Modul AG, which is listed on the Frankfurt Stock Exchange.

Ms. Ko Wing Yan, Samantha, aged 32, is an executive Director. Ms. Ko is the daughter of Mr. Ko Chun Shun, Johnson. She holds a bachelor degree in economics and mathematics from Mount Holyoke College, and a master degree in finance from the Imperial College Management School in London. She has over seven years of experience in banking and has extensive experience in the securities and capital markets. She was a director of global markets — structured credit and fund solutions of HSBC until August 2009. Before joining HSBC, Ms. Ko served in international investment banks including Morgan Stanley (in Hong Kong) and JP Morgan Securities Limited (in London). Ms. Ko is an executive director of China WindPower Group Limited (stock code: 182), the shares of which are listed on the Stock Exchange.

Independent Non-Executive Directors

Mr. Liu Zhengui, aged 64, is an independent non-executive Director, the chairman of the remuneration committee and a member of the audit committee and the nomination committee. Mr. Liu holds a bachelor degree in management engineering from HeFei University of Technology. Mr. Liu has over 40 years' experience in corporate finance and capital management. Mr. Liu is currently a director of Shandong School of Economic and Social Development（山東社會經濟發展研究院）and is the chairman of Shandong Dongyin Investment Management Co., Ltd（山東東銀投資管理有限公司）. He is also a financial consultant of the Shandong provincial government. During the period of 2004 to 2009, Mr. Liu was the chairman of Bank of China Group Investment Limited (BOCGI). Prior to that, he served as the chief executive of Bank of China's branches in three different provinces for 16 years.

Mr. Ding Kebai, aged 62, is an independent non-executive Director and a member of the audit committee. Mr. Ding holds a master degree in international business trading from the Chinese Academy of Social Science. Mr. Ding has extensive experience in asset management and international trading. Mr. Ding has held senior positions in Ministry of Health of the PRC（國家衛生部）, the Office of the Economic and Trade of the State Council（國務院經濟貿易辦公室）, the State Economic and Trade Commission of the PRC（國家經濟貿易委員會）, State-owned Assets Supervision and Administration Commission of the State Council（國務院國有資產監督管理委員會）and China National Medical Equipment & Supplies I/E Corporation（中國醫療衛生器材進出口公司）.

Mr. Chu Chung Yue, Howard, aged 63, is an independent non-executive Director, the chairman of the audit committee and a member of the remuneration committee and the nomination committee. Mr. Chu is an executive director of Wah Nam International Holdings Limited (stock code: 159), the shares of which are listed on the Stock Exchange, a post he has held since November 2011.

Mr. Chu was the Vice President, Asia and Chief Representative, China — Teck Resources Limited (formerly Teckcominco Limited). Mr. Chu was responsible for the development of an Asian strategy for the company, monitoring China's economic performance and promoting business development opportunities in China. Mr. Chu held various positions including corporate controller for Teck Resources Limited from 1978 to 2007 and was the Vice President, Asia and Chief Representative, China from 2007 to April 2011. Mr. Chu holds a bachelor degree in commerce from University of British Columbia and is a chartered accountant in Canada. Mr. Chu has appropriate professional qualifications as required under Rule 3.10(2) of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The remuneration of the above Directors are determined by the Board with reference to their duties and responsibilities with the Company and the prevailing market conditions. All of the above Directors were appointed on 9 August 2011.

Senior Management

Mr. Brett Mcgonegal, aged 38, joined the Group in 2011, is the Executive Managing Director and Chief Executive Officer of RFM.

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

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

Mr. Mcgonegal is a graduate of Hobart College and the Lawrenceville Prep School.

Mr. Jason Boyer, aged 42, joined the Group in 2011, is the Executive Managing Director and Vice Chairman of RFM.

Mr. Boyer is responsible for the day to day management and business development of the Group's various initiatives and brings over 17 years of experience in institutional financial markets to the job.

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

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

Mr. Brad Ainslie, aged 34, joined the Group in 2011, is the Executive Managing Director and Head of Global Markets of RFM.

Mr. Ainslie has over 11 years of experience in equity markets and is responsible for managing and growing the Group's equity businesses globally. Most recently Mr. Ainslie was a Managing Director at Cantor Fitzgerald HK Capital Markets and co-head of the Equity Sales and Trading desk. Mr. Ainslie helped Cantor Fitzgerald become a leading institutional market player in Asia by creating a top-tier sales and trading platform while contributing to the formation of an expanding corporate finance business focused on China.

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

Mr. Ainslie is an economics graduate of Bates College in Lewiston Maine.

Senior Management *(Continued)*

Mr. Uwe Parpart, aged 70, joined the Group in 2011, is the Executive Managing Director, Chief Strategist and Head of Research of RFM.

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

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

After serving as an officer in the German Navy, Mr. Parpart received a Fulbright scholarship for graduate work in mathematics and philosophy at the University of Pennsylvania. He has taught at Penn and Swarthmore College.

Mr. John Maguire, aged 48, joined the Group in 2011, is the Head of Corporate Finance of RFM. Prior to joining the Group in September 2011, Mr. Maguire was the Managing Director and co-founder of OSK Capital Hong Kong Limited (formerly Ernst & Young Corporate Finance Limited) from 2000 to 2011. Before that, Mr. Maguire was Executive Director of Worldsec Corporate Finance Limited (an associate of Bank of Tokyo-Mitsubishi) responsible for Worldsec's investment banking activities in Hong Kong and South East Asia from 1995 to 2000. Prior to relocating to Hong Kong in 1991, Mr. Maguire worked as a solicitor in the City of London.

Mr. Maguire is Deputy Chairman of the Takeovers and Mergers Panel, a Member of the Takeovers Appeal Committee and a Member of the Securities and Futures Commission's Committee on Real Estate Investment Trusts. Mr. Maguire is a solicitor admitted in Hong Kong and in England and Wales and is a Fellow Member of the Hong Kong Securities Institute. Mr. Maguire is also a Member of the Hong Kong Securities Institute's E-Committee.

Mr. Charles Yuan, aged 41, joined the Group in 2011, is the Managing Director of RFM. Prior to joining the Group in September 2011, Mr. Yuan was the Managing Director of ING Bank Hong Kong Branch. Prior to ING, he was with Deutshe Bank and HSBC where he held various sales and trading positions. Mr. Yuan also worked in the People's Bank of China during 1995-1998.

Mr. Yuan holds a MBA degree from INSEAD. He also holds a B.A. from Peking University and an M.A. degree from the Graduate School of the People's Bank of China.

Mr. Cecil Ho, aged 51, joined the Group in 2011, is the Chief Financial Officer. He is also a director of a number of subsidiaries of Company. Mr. Ho holds a Bachelor of Commerce degree from the University of British Columbia, Canada. He is a member of the Institute of Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Ms. Chow Fuk Wai, aged 33, joined the Group in 2011, is the company secretary of the Company. Ms. Chow is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor degree in Business Administration (Accounting & Finance) from The University of Hong Kong. Ms. Chow is also an authorised representative of the Company.

The Directors have pleasure in submitting their report together with the audited consolidated financial statements for the year ended 31 December 2011 (the "Year").

Principal Activities

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in Note 21 to the financial statements. An analysis of the revenue and the results of the Group by business segments during the Year is set out in Note 8 to the financial statements.

Change of Company Name

The name of the Company has been changed from "Asia TeleMedia Limited 亞洲電信媒體有限公司" to "REORIENT GROUP LIMITED 瑞東集團有限公司" with effect from 25 October 2011. The change of name of the Company was approved by the shareholders of the Company (the "Shareholders") by way of a special resolution at an extraordinary general meeting of the Company held on 17 October 2011.

Results and Dividends

The results of the Group for the Year, and the statement of financial position of the Company and of the Group as of 31 December 2011 are set out in the financial statements on pages 40 to 42.

The board of Directors (the "Board") do not recommend the payment of a final dividend (for the year ended 31 December 2010: Nil).

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group and of the Company during the Year are set out in Note 20 to the financial statements.

Share Capital

Details of the movements in the share capital of the Company during the Year are set out in Note 32 to the financial statements.

Distributable Reserves

Details of the distributable reserves of the Company as at 31 December 2011 are set out in Note 33 to the financial statements.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 104.

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

During the Year, save as disclosed in note 32 and other than acting as an agent for clients of the Company and its subsidiaries, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Share Options

The Company has adopted a new share option scheme on 21 July 2011 (the "Share Option Scheme"). The principal terms of the Share Option Scheme were disclosed in the Company's circular dated 28 June 2011.

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

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

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

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

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

During the Year no options were issued and as at 31 December 2011, no options were outstanding (31 December 2010: nil). As at the date of this report, the total number of share option that can be granted was 21,909,595, representing approximately 5.70% of the issued share capital of the Company.

Directors

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

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*	*(appointed on 9 August 2011)*
Mr. Zhang Binghua	*(appointed on 9 August 2011)*
Mr. Chen Shengjie	*(appointed on 9 August 2011)*
Ms. Angelina Kwan	*(appointed on 9 August 2011)*
Mr. Tsoi Tong Hoo, Tony	*(appointed on 9 August 2011)*
Ms. Ko Wing Yan, Samantha	*(appointed on 9 August 2011)*
Mr. Lu Ruifeng	*(removed on 9 August 2011)*
Mr. Yiu Hoi Ying	*(removed on 9 August 2011)*

Independent non-executive Directors

Mr. Liu Zhengui	*(appointed on 9 August 2011)*
Mr. Ding Kebai	*(appointed on 9 August 2011)*
Mr. Chu Chung Yue, Howard	*(appointed on 9 August 2011)*
Mr. Lu Ning	*(removed on 9 August 2011)*
Mr. Li Chun	*(removed on 9 August 2011)*

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

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the period since their appointment on 9 August 2011 to 31 December 2011 and the Company considers that they are independent.

Directors' Service Contracts

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

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

As at 31 December 2011, the interests and short positions of each director and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") under the Listing Rules, or known to the Company, were as follows:

Long positions in the shares of the Company:

		Number of Shares held	
Name of Director	**Nature of interest**	**Long position**	**Percentage of shareholding**
Mr. Ko Chun Shun, Johnson	Held by controlled corporation	277,624,382	72.21%

Note: Mr. Ko Chun Shun, Johnson, the Chairman and an executive director of the Company, was interested in 277,624,382 Shares through Gainhigh Holdings Limited ("Gainhigh"). 80% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

Save as disclosed above, as at 31 December 2011, none of the directors and chief executives of the Company and/or any of their respective associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

Directors' Rights to Acquire Shares

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

Substantial Shareholders

As at 31 December 2011, save as disclosed under the section "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying shares and Debentures of the Company or any Associated Corporation" above, the Company had been notified of the following substantial shareholders' interests, being 5% or more of the Company's issued share capital under Section 336 of the SFO.

		Number of Shares held	
Name of shareholder	**Nature of interest**	**Long position**	**Percentage of shareholding**
Mr. Ko Chun Shun, Johnson *(Note 1)*	Held by controlled corporation	277,624,382	72.21%
Kwan Wing Holdings Limited *(Note 1)*	Held by controlled corporation	277,624,382	72.21%
Gainhigh Holdings Limited *(Note 1)*	Beneficial owner	277,624,382	72.21%
Shaw David Elliot *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw Valence Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw Composite Portfolios, L.L.C. *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw & Co., Inc *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw & Co., L.P. *(Note 2)*	Investment manager	35,000,000	9.10%
D. E. Shaw & Co., L.L.C *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw & Co. II, Inc *(Note 2)*	Held by controlled corporation	35,000,000	9.10%
D. E. Shaw & Co. (Asia Pacific) Limited *(Note 2)*	Investment manager	35,000,000	9.10%
Barclays PLC	Person having a security interest in shares/Held by controlled corporation	19,614,000 (long position) 114,000 (short position)	5.10% 0.03%

Substantial Shareholders *(Continued)*

Notes:

1. Mr. Ko Chun Shun, Johnson, the Chairman and an executive director of the Company, was interested in 277,624,382 Shares through Gainhigh. 80% of the issued share capital of Gainhigh was held by Kwan Wing Holdings Limited, a company wholly-owned by Mr. Ko.

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

Save as disclosed above, as at 31 December 2011, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO.

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company

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

A. Facility agreements

At the completion of the Restructuring of the Company on 9 August 2011 which involved, inter alia, capital restructuring, subscription of new shares and convertible notes, the scheme of arrangement (the "Scheme") and group reorganisation with a view to enabling the resumption of trading in the shares of the Company on the Stock Exchange, Gainhigh had funded since 2009 (i) a sum of HK$20 million to the Company to meet the professional costs and expenses incurred in connection with the Restructuring; (ii) HK$3 million to an escrow agent as a deposit (subject to it being refundable under certain conditions) and (iii) a loan of HK$38.7 million to Mansion House Financial Holdings Limited, a wholly-owned subsidiary of the Company, pursuant to a facility agreement dated 22 September 2009 and amendment agreements to the above facility agreement dated 14 October 2010, 23 November 2010 and 21 February 2011. All such amounts have been repaid as of 31 December 2011.

B. Restructuring Agreement

On 27 May 2011, the Company announced that it had entered into the Restructuring Agreement for the implementation of the Restructuring which comprised, inter alia, capital restructuring, subscription of new shares and convertible notes, the Scheme and group reorganisation on 15 April 2011 between the Company, the Liquidators, Gainhigh and Mr. Ko Chun Shun, Johnson as guarantor.

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company *(Continued)*

B. Restructuring Agreement *(Continued)*

The Restructuring Agreement resulted in the following:

(a) Capital restructuring

The Company underwent a capital restructuring, involving share consolidation, capital reduction, capital cancellation and authorised share capital increase.

(b) Subscription of new shares and convertible notes

Gainhigh contributed HK$172 million to subscribe for (i) 128,225,806 new ordinary shares of the Company of HK$0.01 each at a subscription price of HK$0.62 each, representing a total consideration of HK$79.5 million and (ii) convertible notes issued by the Company with the principal amount of HK$92.5 million and tenure of five years bearing no interest and convertible into new shares at an initial conversion price of HK$0.62 per new share, subject to adjustment.

As of 31 December 2011, the convertible notes have been fully converted.

(c) The Scheme

A creditors' meeting was held on 21 July 2011 at which the Scheme between the Company and its creditors (the "Scheme Creditors") was approved by the Scheme Creditors. Under the Scheme, upon completion, all the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) was compromised and discharged in full in return for a cash payment of HK$72 million to be distributed in accordance with the terms of the Scheme. This cash payment was funded by the Company out of the proceeds from the subscription above.

(d) Group reorganisation

Upon completion of the Restructuring, all the issued shares of several subsidiaries of the Company (i.e. the Disposed Companies) were transferred to a nominee of the scheme administrators for the benefit of the Scheme Creditors at a nominal consideration of HK$1 and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Disposed Companies were released and discharged in full upon such transfer.

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company *(Continued)*

B. Restructuring Agreement *(Continued)*

On 7 June 2011, a subscription agreement was entered into between the Company, the Liquidators and Gainhigh in relation to the issue of the new Shares to Gainhigh at a consideration of HK$79.5 million and the issue of non-interest bearing, non-redeemable 5-year to maturity convertible notes at a principal amount of HK$92.5 million. Details of the terms of the Convertible Notes are set out in Notes 30 and 32 to the financial statements.

On 21 July 2011, the Scheme Creditors' meeting and an extraordinary general meeting were held and all the resolutions set out in the notices of these meetings were duly passed. The court order for the permanent stay of the winding up order against the Company and the release and discharge of the Liquidators were granted on 5 August 2011. On 9 August 2011, the Restructuring Agreement was completed and subscription shares of HK$79.5 million and convertible notes of HK$92.5 million were issued to Gainhigh. Trading in the Shares on the Stock Exchange was resumed on 10 August 2011.

Details of the Restructuring are set out in the circular of the Company dated 28 June 2011 and the announcement of the Company dated 9 August 2011.

C. Place Down

On 9 August 2011, Gainhigh engaged RFM as the placing agent to place not less than 9,000,000 Shares, representing 5.66% of the then enlarged issued share capital of the Company, to independent third parties at the placing price of HK$2.80 per Share to restore the public float of the Company as required under the Listing Rules (the "Place Down").

Gainhigh is the controlling shareholder of the Company. Mr. Ko Chun Shun, Johnson beneficially owns as to 80% equity interest in Gainhigh. He is the Chairman of the Company and an executive Director. RFM is a wholly-owned subsidiary of the Company. RFM's acting as the placing agent for Gainhigh constituted a connected transaction for the Company. The Group received commission of HK$700,000 in this regard. The connected transaction was on normal commercial terms and the relevant percentage ratios were less than 5% and the total placing commission income receivable by RFM was less than HK$1,000,000, the connected transaction was exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the transaction are set out in the announcement of the Company dated 9 August 2011.

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company *(Continued)*

D. The Subscription and the Brokerage Agreement

On 6 September 2011, Gainhigh placed out 67,000,000 existing Shares (the "Placing Shares") at the placing price of HK$3.00 per Placing Share to independent investors (the "Placing"). The Placing was completed on 7 September 2011. On 6 September 2011, Gainhigh and the Company entered into a subscription agreement pursuant to which Gainhigh would subscribe for (the "Subscription") 67,000,000 Shares (the "Subscription Shares") at HK$3.00 per Share (same as the Placing Price). Since Gainhigh is the controlling shareholder of the Company, Gainhigh is a connected person of the Company and, accordingly, the Subscription constitutes a non-exempt connected transaction for the Company under Chapter 14A of the Listing Rules as the Subscription Shares would not be issued under a general mandate granted to the Board and were not completed within 14 days from the date of the agreements in respect of the Placing.

The Subscription was approved by independent Shareholders' approval by way of poll in an extraordinary general meeting of the Company held on 8 November 2011 pursuant to the Listing Rules. Gainhigh and its associates abstained from voting at the extraordinary general meeting in respect of the resolution approving the Subscription and the issue of the Subscription Shares. Details of the transactions are set out in the announcement of the Company dated 7 September 2011 and circular of the Company dated 12 October 2011.

On 6 September 2011, Gainhigh and RFM entered into a brokerage agreement pursuant to which RFM was appointed as the broker for the Placing. RFM charged Gainhigh a brokerage commission of 0.25% of the gross proceeds from the Placing totaling approximately HK$0.5 million. The terms of the Brokerage Agreement were negotiated between Gainhigh and RFM on an arm's length basis and were on normal commercial terms.

RFM's acting as the broker for the Placing constituted a connected transaction for the Company and was only subject to the reporting and announcement requirements and was exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the transaction are set out in the announcement of the Company dated 7 September 2011.

All costs and expenses in respect of the Placing incurred by Gainhigh (including the brokerage commission payable by Gainhigh under the Brokerage Agreement) were reimbursed by the Company.

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company *(Continued)*

D. The Subscription and the Brokerage Agreement *(Continued)*

Given that the Directors does not have sufficient general mandate to issue all the Subscription Shares, the Company had to raise additional funds through the structures set out above under the Placing and the Subscription. The Placing and the Subscription are in substance placing of new Shares to the investors by the Company.

The gross proceeds of the Subscription was HK$201 million. The net proceeds from the Subscription, after the deduction of the brokerage commission and other related expenses of the Placing was approximately HK$200 million. The net proceeds would be used for the Group's expansion plans and to further strengthen the Group's capital base and financial resources so as to develop its brokerage and other businesses including corporate finance, direct investment, etc.

The Company considered that the provision of brokerage services to Gainhigh was expected to benefit the Company. The Directors (including the independent non-executive Directors) were of the view that the terms of the Brokerage Agreement were fair and reasonable and the Brokerage Agreement would be in the interests of the Company and its Shareholders as a whole.

E. Securities Services Agreement

On 11 October 2011, the Company entered into a securities services agreement (the "Securities Services Agreement") with Mr. Ko Chun Shun, Johnson, who beneficially owned 80% equity interest of Gainhigh (the controlling shareholder of the Company). Mr. Ko is the Chairman of the Company and an executive Director. Pursuant to the Securities Services Agreement, the Group would provide securities services (the "Securities Services") to Mr. Ko or any of his associates including but not limited to brokerage, share placing and underwriting, asset management, financial advisory, corporate finance and related services, for a term up to 31 December 2013, with annual caps of HK$8 million (from the effective date of the Securities Services Agreement), HK$25 million and HK$25 million respectively for each of the years ending 31 December 2011, 2012 and 2013. The Securities Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules and were subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Directors' Interest in Contracts/Connected Transactions and Continuing Connected Transactions/Transactions in securities of the Company *(Continued)*

E. Securities Services Agreement *(Continued)*

The Securities Services Agreement was approved by independent Shareholders' voting by way of poll at an extraordinary general meeting of the Company held on 8 November 2011. Mr. Ko and his associates (including Gainhigh) abstained from voting at the extraordinary general meeting in respect of the resolution approving the Securities Services Agreement and the annual caps.

During the Year, no transaction was entered into and no fee was paid to the Group by Mr. Ko and his associates under the Securities Services Agreement.

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

Further details are set out in the announcement of the Company dated 11 October 2011 and circular of the Company dated 12 October 2011.

A summary of the related parties transactions entered into by the Group during the Year is set out in Note 37 to the financial statements.

Management Contracts

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

Major Suppliers and Major Customers

During the Year, revenue derived from the Group's largest 5 customers accounted for approximately 56% of the total revenue for the Year, with the single largest customer contributing approximately 18%.

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

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

Convertible Notes

Under the Restructuring Agreement, Gainhigh contributed a total of HK$172 million to (i) subscribe Shares at a subscription price of HK$0.62 each, representing a total consideration of HK$79.5 million and (ii) subscribe convertible notes issued by the Company with the principal amount of HK$92.5 million and a tenure of five years bearing no interest and convertible into Shares at an initial conversion price of HK$0.62 per new share (subject to adjustment).

On 7 September 2011, Gainhigh converted the convertible notes of a principal amount of HK$37.2 million into 60,000,000 Shares at a conversion price of HK$0.62 per Share. As a result of the issue of 67,000,000 Subscription Shares by the Company pursuant to the Subscription, the conversion price of the convertible notes was adjusted to HK$0.562 per Share. The computation of the adjustment in the conversion price has been reviewed and confirmed by KBC Bank N.V. Hong Kong Branch and a certificate dated 11 October 2011 was issued by KBC Bank N.V. Hong Kong Branch to that effect.

On 21 November 2011, Gainhigh converted the convertible notes in full in a principal amount of HK$55.3 million into 98,398,576 Shares at a conversion price of HK$0.562 per Share.

As of 31 December 2011, the convertible notes were converted in full.

Corporate Governance

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

Sufficiency of Public Float

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

Auditor

The financial statements have been audited by Graham H. Y. Chan & Co. who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

Review by Audit Committee

The Audit Committee comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Chu Chung Yue, Howard with Mr. Liu Zhengui and Mr. Ding Kebai being the other members. The terms of reference of the Audit Committee are in line with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Group's audited consolidated financial statements for the year ended 31 December 2011 have been reviewed by the Audit Committee.

On behalf of the Board

Ko Chun Shun, Johnson
Chairman

Hong Kong, 8 February 2012

The Board is committed to maintaining high standards of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for attracting and retaining high caliber and talent management, promoting high standards of accountability and transparency and meeting the expectations of all the Group's various shareholders.

The principles of corporate governance adopted by the Group stress the importance of a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company had been in financial distress since 2007 and a petition to wind-up the Company was filed on 5 June 2007. Messrs Edward Simon Middleton and Patrick Cowley were appointed as the Liquidators of the Company on 14 January 2009 to, inter alia, exercise the powers of the board of the Company, to take into their custody and protect the assets of the Company and carry on and stabilise the operations of the Company and its subsidiaries, including facilitating a debt and capital restructuring of the Company. The restructuring of the Company was completed on 9 August 2011 (the "Completion").

All the members of the existing Board were appointed on 9 August 2011 upon the Completion of the Restructuring and therefore do not have sufficient information and records to comment on the corporate governance practices prior to the Completion of the Restructuring.

Since the Completion of the Restructuring, the Board has reviewed the Group's corporate governance practices after the existing Directors of the Company were appointed and is satisfied that the Company has since 9 August 2011 complied with the code provisions in the Code on Corporate Governance Practices ("the Code") set out in Appendix 14 to the Listing Rules, except for the following deviations:

Code A.2.1 of the Code provides, inter alia, that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Company has not yet appointed a chief executive officer. In the interim, Mr. Ko Chun Shun, Johnson has unofficially assumed the role of chief executive officer of the Company.

In this regard, the Company has deviated from Code A.2.1 of the Code. The Board believes that the roles of chairman and chief executive officer in the same person, Mr. Ko Chun Shun, Johnson, can provide the Group with strong and consistent leadership and allow for more effective and efficient business planning during the initial stage of taking over of the Company. However, as the Group's business continue to develop and expand, the Board shall appoint a suitable candidate to be the chief executive officer to enhance the overall management and operation of the Group.

Model Code of Conduct for Securities Transactions by Directors

The Company has adopted the code of conduct regarding Director's securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon enquiry by the Company, all the Directors have confirmed that they have complied with the required standards as stated in the Model Code since their appointment on 9 August 2011 to 31 December 2011.

The Board

The Board, led by the Chairman, is responsible for the formulation of the Group's strategies and policies, approval of annual budgets and business plans, and supervising the management of the business operations of the Group to ensure that its business objectives are met. The management of the Group is responsible for the day-to-day operations of the Group.

The Board has a balance of skills and experience appropriate for the requirements of the business of the Group. The Board comprises six executive Directors and three independent non-executive Directors, and all of whom were appointed on 9 August 2011. They are:

Executive Directors

Mr. Ko Chun Shun, Johnson *(Chairman)*
Mr. Zhang Binghua
Mr. Chen Shengjie
Ms. Angelina Kwan
Mr. Tsoi Tong Hoo, Tony
Ms. Ko Wing Yan, Samantha

Independent non-executive Directors

Mr. Liu Zhengui
Mr. Ding Kebai
Mr. Chu Chung Yue, Howard

Mr. Ko Chun Shun, Johnson, an executive Director and the Chairman, is the father of Ms. Ko Wing Yan, Samantha, an executive Director.

In the extraordinary general meeting of the Company held on 21 July 2011, resolution was passed to remove Mr. Lu Ruifeng and Mr. Yiu Hoi Ying were as executive directors of the Company and Mr. Lu Ning and Mr. Li Chun as independent non-executive directors of the Company, with effect from 9 August 2011.

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

The Company has been maintaining the number of independent non-executive Directors at not less than one-third of the number of the Board members and has ensured that the Board contains an independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise. The participation of independent non-executive Directors in the Board brings independent judgment to ensure the interests of all Shareholders have been duly considered.

The Board *(Continued)*

For a Director to be considered independent, that Director should not have any direct or indirect material interest in the Group. In determining the independence of Directors, the Board follows the requirement set out in the Listing Rules. The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules in respect of the period since their appointment on 9 August 2011 to 31 December 2011 and the Company considers that they are independent.

All independent non-executive Directors are appointed for a specific term of 3 years and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

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

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

The Board met 4 times during the Year since the appointment of all the existing Directors on 9 August 2011. Between scheduled meetings, senior management of the Group provides to Directors the information on the activities and developments in the business of the Group on a timely basis and, when required, ad hoc Board meetings are held. In addition, Directors have full access to the information of the Group and to independent professional advice whenever should they consider necessary.

	Attended/Eligible to attend
Executive Directors	
Mr. Ko Chun Shun, Johnson *(Chairman)*	4/4
Mr. Zhang Binghua	4/4
Mr. Chen Shengjie	4/4
Ms. Angelina Kwan	4/4
Mr. Tsoi Tong Hoo, Tony	4/4
Ms. Ko Wing Yan, Samantha	4/4
Independent non-executive Directors	
Mr. Liu Zhengui	4/4
Mr. Ding Kebai	4/4
Mr. Chu Chung Yue, Howard	4/4

The Board *(Continued)*

In accordance with the Company's memorandum and articles of association, subject to the manner of retirement by rotation of Directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any Director may be appointed or engaged, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

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

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

Directors' Responsibility for the Financial Statements

The following statements, which set out the responsibilities of the Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's report on pages 37 to 39 which acknowledges the reporting responsibilities of the Group's Auditors.

Annual Report and Financial Statements

The Directors acknowledge their responsibilities to prepare financial statements for each financial year which give a true and fair view of the state of the Group.

Accounting Policies

The Directors consider that in preparing the financial statements, the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps proper and accurate accounting records for the preparation of the financial statements in accordance with the relevant laws and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Company Secretary

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

The Company Secretary also advises the Directors on their obligations in respect of disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed.

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

Audit Committee

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors. The Audit Committee is chaired by Mr. Chu Chung Yue, Howard and the other members of the Audit Committee are Mr. Liu Zhengui and Mr. Ding Kebai.

Mr. Chu holds a bachelors degree in commerce from University of British Columbia and is a chartered accountant in Canada. Mr. Chu has appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules.

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

Audit Committee *(Continued)*

The Audit Committee held 1 meeting during the Year and since 9 August 2011.

Name of the member	**Attended/eligible to attend**
Mr. Chu Chung Yue, Howard *(Chairman)*	1/1
Mr. Liu Zhengui	1/1
Mr. Ding Kebai	1/1

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

Financial Statements

The Audit Committee met and held discussions with the executive Directors and other senior management of the Group on the preliminary results announcement and annual report for the Year. The Audit Committee reviewed and discussed the management's report and representations with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong and complies with the Listing Rules. It also considered reports from the Group's principal external auditors, Graham H.Y. Chan & Co., on the scope and outcome of their annual audit of the consolidated financial statements.

External Auditors

The Audit Committee held a meeting with Graham H.Y. Chan & Co. to discuss the scope of their audit and their findings during the audit in respect of the consolidated financial statements of Company for the Year.

The Audit Committee also made recommendations to the Board on the appointment and retention of the external auditors.

Review of Risk Management and Internal Controls

The Audit Committee reviewed the process by which the Group evaluates its control environment including financial, operational and compliance controls and its risk assessment process, and the way in which business and risks are managed, and to ensure that the management has discharged its duty to have an effective internal control system, including the adequacy of resources, qualification and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. In reliance on these reviews, the Audit Committee made a recommendation to the Board for the approval of the consolidated financial statements for the Year.

Auditors' Remuneration

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

Nature of the services	**31 December 2011** *HK$'000*	31 December 2010 *HK$'000*
Audit services	**630**	580
Other services	**266**	330
Total	**896**	910

Remuneration Committee

The remuneration committee of the Company (the "Remuneration Committee") comprises 3 members. The Remuneration Committee is chaired by Mr. Liu Zhengui with Mr. Ko Chun Shun, Johnson and Mr. Chu Chung Yue, Howard being the other members. The Remuneration Committee shall meet for, inter alia, the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Remuneration Committee shall meet as and when required to consider remuneration related matters.

The terms of reference of the Remuneration Committee are in line with the Code. Under its term of reference, the responsibilities of the Remuneration Committee are, inter alia, to make recommendations to the Board on the Company's policy and structure for the remuneration of Directors and senior management. The Remuneration Committee shall assist the Group in the administration of the fair and transparent procedure for setting policies on the remuneration of Directors and senior management of the Group. During the Year and since 9 August 2011, the Remuneration Committee reviewed the remuneration policy of the Group and the remuneration packages of Directors and senior management of the Company and its subsidiaries and has held 1 meeting.

Name of the member	Attended/eligible to attend
Mr. Liu Zhengui *(Chairman)*	1/1
Mr. Ko Chun Shun, Johnson	1/1
Mr. Chu Chung Yue, Howard	1/1

Nomination Committee

As set out in the circular of the Company dated 28 June 2011, Gainhigh nominated the existing six executive Directors and three independent non-executive Directors and their appointments were approved at the extraordinary general meeting of the Company held on 21 July 2011. All of the nine Directors were appointed on 9 August 2011 upon Completion of the Restructuring.

The Board has not established a nomination committee during the Year. Pursuant to the articles of association of the Company, the Board has the power from time to time and at any time to appoint any person as director either to fill a casual vacancy or as an addition to the Board. In assessing any nomination of new directors, the Board shall take into consideration the nominee's qualifications, ability and potential contribution to the Company.

Subsequent to the end of the Year, the nomination committee of the Company (the "Nomination Committee") was established in February 2012 comprising 3 members. The Nomination Committee is chaired by Mr. Ko Chun Shun, Johnson with Mr. Liu Zhengui and Mr. Chu Chung Yue, Howard being the other members. The Nomination Committee shall meet for, inter alia, making recommendations to the Board on the appointment or re-appointment of Directors. The terms of reference of the Nomination Committee are in line with the Code.

Internal Controls and Group Risk Management

The Board has overall responsibility for the Group's system of internal controls and for the assessment and management of risk. The Board has conducted a review of and is satisfied with the effectiveness of the system of internal controls of the Group.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risk. Reporting and review activities include the review and approval by the Board of detailed operational and financial reports, budgets and plans provided by the management of the business operations, the review by the Board of actual results against the budgets, the review by the Board of the internal control system of the Group, as well as the regular business reviews by executive Directors and the senior management.

The Board is responsible for monitoring the overall operations of the businesses and compliance within the Group. Directors are appointed to the boards of all significant material operating subsidiaries and associates to attend their board meetings and to oversee the operations of those companies. Monitoring activities include the review and approval of business strategies, budgets and plans, and the setting of key business performance targets. Senior management is accountable for the performance within the agreed strategies and is accountable for conduct and performance.

Internal Controls and Group Risk Management *(Continued)*

The management of the Company reports directly to the Board and the Audit Committee and monitors the existence and effectiveness of the risk management activities and internal controls in the Group's business operations. The management also discusses the internal controls with the Audit Committee. In addition, regular dialogues are maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Reports from the external auditors on relevant financial reporting matters in relation to the consolidated financial statements for the Year were presented to the Audit Committee, and, as appropriate, to the Board.

Investor Relations and Shareholders' Rights

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

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

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

事陳會浩計師務賢所

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

TO THE SHAREHOLDERS OF REORIENT GROUP LIMITED
(Formerly known as Asia TeleMedia Limited)
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of REORIENT GROUP LIMITED (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 40 to 103, which comprise the consolidated and the Company's statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

Auditor's responsibility *(Continued)*

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 qualified audit opinion.

Basis for qualified opinion

Prior year audit scope limitations affecting opening balances

The auditor's report on the consolidated financial statements for the year ended 31 December 2010 was qualified in respect of limitations of audit scope described in sub-paragraphs (1) to (3) below. Any adjustments to these comparative amounts may have a consequential effect on the balance of accumulated losses of the Group and the Company as at 1 January 2011 and related disclosures in these financial statements.

1. Completeness of information

A winding-up petition against the Company was filed on 5 June 2007, and a winding-up order was made by the High Court of Hong Kong (the "Court") on 18 March 2008. Messrs Edward Simon Middleton and Patrick Cowley were appointed as the Joint and Several Liquidators of the Company (the "Liquidators") on 14 January 2009, pursuant to an Order of the Court. The Liquidators had only been able to provide books and records of the Group which were made available to them by the directors and management of the Group for the purpose of the audit. Accordingly, the Liquidators could not provide us with any written representations regarding any of the accounting information and records. In consequence, we were unable to carry out all the auditing procedures necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in the financial statements for the year ended 31 December 2010. There were no satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence regarding the accuracy and completeness of the assets, liabilities, income and expenses of the Company and of the Group for the year ended 31 December 2010, and the adequacy of disclosures in these financial statements.

Basis for qualified opinion *(Continued)*

Prior year audit scope limitations affecting opening balances *(Continued)*

2. Loss of accounting records

The consolidated financial statements and the financial statements of the Company for the year ended 31 December 2010 contained financial information of the representative offices located in Beijing and Shenzhen (the "PRC representative offices"). The PRC representative offices were closed and the accounting records could not be retrieved. As a consequence, we were unable to obtain all information that we required in relation to our audit and were also unable to carry out other satisfactory auditing procedures that we considered necessary to obtain adequate assurance regarding assets, liabilities and profit or loss contributed by the PRC representative offices for the year and the adequacy of disclosures in these financial statements. In 2010, no amount was contributed from assets and profit or loss of the PRC representative offices. Liabilities contributed by the PRC representative offices amounting to HK$1,936,000 had been included in other payables and accrued charges in the financial statements as at 31 December 2010, of which we could not carry out satisfactory auditing procedures.

3. Directors' emoluments

We were unable to carry out auditing procedures necessary to obtain adequate assurance regarding directors' emoluments for the year ended 31 December 2010. This was not in accordance with the requirements of Section 161A of the Hong Kong Companies Ordinance.

Qualified opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, 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 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong
8 February 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Revenue	7	**22,207**	14,041
Other operating income	9	**1,260**	348
Gain on restructuring	10	**30,011**	—
Staff costs	11	**(22,487)**	(3,454)
Other operating expenses		**(38,727)**	(8,166)
Finance costs	14	**(1,066)**	(259)
(Loss)/profit before tax	15	**(8,802)**	2,510
Income tax	16	**—**	—
(Loss)/profit and total comprehensive (loss)/income for the year attributable to owners of the Company	17	**(8,802)**	2,510
Basic and diluted (loss)/earnings per share	19	**(7.35) cents**	8.13 cents

Details of dividend payable to shareholders of the Company are set out in note 18.

Consolidated Statement of Financial Position

As at 31 December 2011

	Note	**2011** **HK$'000**	2010 HK$'000
Non-current assets			
Property, plant and equipment	*20*	**8,920**	73
Trading rights	*22*	**—**	—
Statutory deposits for financial services business	*24(a)*	**430**	475
		9,350	548
Current assets			
Accounts receivable	*23*	**10,076**	34,500
Other receivables, deposits and prepayments	*24(b)*	**3,717**	353
Bank balances — trust and segregated accounts	*24(c)*	**50,355**	35,459
Bank balances (general accounts) and cash	*24(d)*	**245,859**	36,918
		310,007	107,230
Current liabilities			
Accounts payable	*25*	**55,131**	66,916
Other payables and accrued charges	*24(e)*	**7,202**	32,599
Loan payables	*26*	**—**	60,084
Deposits from the Investor	*27*	**—**	11,500
Loan from the Investor	*27*	**—**	23,700
Amounts due to directors	*28*	**763**	20,070
		63,096	214,869
Net current assets/(liabilities)		**246,911**	(107,639)
Total assets less current liabilities		**256,261**	(107,091)
Capital and reserves			
Share capital	*32*	**3,845**	308,701
Reserves	*33*	**252,416**	(415,792)
Total shareholders' equity/(capital deficiency)		**256,261**	(107,091)

The financial statements on pages 40 to 103 were approved and authorised for issue by the Board of Directors on 8 February 2012 and are signed on its behalf by:

Ko Chun Shun, Johnson
Chairman and Executive Director

Kwan Angelina Agnes
Executive Director

Statement of Financial Position

As at 31 December 2011

	Note	**2011**	2010
		HK$'000	*HK$'000*
			(Restated)
Non-current assets			
Property, plant and equipment	*20*	**—**	—
Interests in subsidiaries	*21*	**196,012**	22
		196,012	22
Current assets			
Deposit and prepayment		**145**	—
Bank balances (general accounts) and cash	*24(d)*	**94,260**	4,253
		94,405	4,253
Current liabilities			
Other payable and accruals	*24(e)*	**40**	30,575
Loan payables	*26*	**—**	60,084
Deposits from the Investor	*27*	**—**	11,500
Amounts due to directors	*28*	**763**	20,070
		803	122,229
Net current assets/(liabilities)		**93,602**	(117,976)
Total assets less current liabilities		**289,614**	(117,954)
Capital and reserves			
Share capital	*32*	**3,845**	308,701
Reserves	*33*	**285,769**	(426,655)
Total shareholders' equity/(capital deficiency)		**289,614**	(117,954)

Ko Chun Shun, Johnson
Chairman and Executive Director

Kwan Angelina Agnes
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital	Share premium account	Convertible note reserve	Asset revaluation account	Warrant reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January 2010	308,701	42,395	—	2,650	1,415	(464,762)	(109,601)
Profit and total comprehensive income for the year	—	—	—	—	—	2,510	2,510
As at 31 December 2010 and 1 January 2011	308,701	42,395	—	2,650	1,415	(462,252)	(107,091)
Loss and total comprehensive loss for the year	—	—	—	—	—	(8,802)	(8,802)
Transaction with owners of the Company:							
Capital reorganisation	(308,392)	—	—	—	—	308,392	—
Issue of subscription shares	1,282	78,218	—	—	—	—	79,500
Issue of top-up placement shares	670	200,330	—	—	—	—	201,000
Cost of issuance of shares	—	(846)	—	—	—	—	(846)
Issuance of convertible notes	—	—	92,500	—	—	—	92,500
Conversion of convertible notes	1,584	90,916	(92,500)	—	—	—	—
Lapse of warrants	—	1,415	—	—	(1,415)	—	—
As at 31 December 2011	3,845	412,428	—	2,650	—	(162,662)	256,261

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
(Loss)/profit for the year		**(8,802)**	2,510
Adjustments for:			
Finance costs		**1,066**	259
Impairment loss on accounts receivable		**—**	20
Recovery of impairment loss on accounts receivable		**(3)**	(8)
Depreciation of property, plant and equipment		**1,357**	78
Gain on restructuring		**(30,011)**	—
		(36,393)	2,859
Decrease /(increase) in accounts receivable		**24,427**	(8,470)
Decrease/(increase) in statutory deposits for financial services business		**45**	(45)
(Increase)/decrease in other receivables, deposits and prepayments		**(3,364)**	2,136
Increase in bank balances — trust and segregated accounts		**(14,896)**	(1,304)
(Decrease)/increase in accounts payable		**(11,785)**	7,259
(Decrease)/increase in other payables and accrued charges		**(1,633)**	3,053
Increase in amounts due to directors		**763**	—
Cash (used in)/from operations		**(42,836)**	5,488
Interest paid		**(1,241)**	(84)
Net cash (used in)/from operating activities		**(44,077)**	5,404
Investing activities			
Purchase of property, plant and equipment		**(10,204)**	(51)
Net cash used in investing activities		**(10,204)**	(51)
Financing activities			
Advancement of loan from the Investor		**15,000**	23,700
Receipt of deposits from the Investor		**8,500**	4,500
Cash outflow on restructuring	*10*	**(73,732)**	—
Proceeds from subscription of shares and convertible notes pursuant to restructuring	*10*	**113,300**	—
Proceeds from issuance of top-up placement shares		**201,000**	—
Cost of issuance of shares		**(846)**	—
Repayment of other borrowings		**—**	(1,900)
Net cash from financing activities		**263,222**	26,300
Net increase in cash and cash equivalents		**208,941**	31,653
Cash and cash equivalents at 1 January		**36,918**	5,265
Cash and cash equivalents at 31 December represented by:			
Bank balances (general accounts) and cash		**245,859**	36,918

1. Corporate information

REORIENT GROUP LIMITED (formerly known as Asia TeleMedia Limited) (the "Company") is a limited company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors ("the Directors") consider the Company's ultimate holding company to be Gainhigh Holdings Limited ("Gainhigh" or the "Investor"), a limited liability company incorporated in the British Virgin Islands. The registered office and the principal place of business of the Company is at Suites 1102-03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

The board (the "Board") of the Company proposed to change its name from Asia TeleMedia Limited to REORIENT GROUP LIMITED as set out in the Company's announcement dated 20 September 2011. The change of name was subject to the approval by the shareholders by way of a special resolution at an extraordinary general meeting held on 17 October 2011, and later, the approval from the Registrar of Companies. The change of name was approved in the said extraordinary general meeting and became effective on 25 October 2011.

The Company was placed into liquidation as a result of a winding up order made by the High Court of Hong Kong ("the Court") on 18 March 2008. The Court ordered the permanent stay of the winding up order against the Company and the release and discharge of the Liquidators (the "Ex-Liquidators") was granted on 5 August 2011. Trading of the Company's shares on the Stock Exchange resumed on 10 August 2011, having been suspended since 18 March 2008. Completion of the restructuring agreement dated 15 April 2011 (the "Restructuring Agreement") and the subscription agreement dated 7 June 2011 (the "Subscription Agreement") (collectively referred to as the "Restructuring") took place on 9 August 2011 (the "Completion Date"), having been approved by the shareholders and sanctioned by the Court. Further details on the Restructuring are disclosed in note 2 below.

During the year, the Company was an investment company and the Group was involved in the following principal activities which are set out in note 21:

- securities broking and trading;
- the provision of corporate finance advisory, merger and acquisition, broking and advisory, placing and underwriting services;
- the provision of nominee and custodian services; and
- the provision of consulting and advisory services.

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

2. Restructuring of the Company and the Group

Details of the Restructuring were set out in the circular of the Company issued on 28 June 2011, and the Restructuring was approved by the shareholders of the Company at an extraordinary general meeting on 21 July 2011. The Restructuring principally involved the following:

(a) Capital restructuring

The Company underwent a capital restructuring, involving share consolidation, capital reduction, capital cancellation and increase in authorised share capital.

(b) Subscription

Under the Restructuring Agreement, Gainhigh contributed HK$172 million to subscribe for new shares at the subscription price of HK$0.62 each, representing a total consideration of HK$79.5 million and convertible notes issued by the Company with the principal amount of HK$92.5 million and tenure of five years bearing no interest and convertible into new shares at an initial conversion price of HK$0.62 per new share, subject to adjustment.

(c) The Scheme

A creditors' meeting was held on 21 July 2011 at which the scheme of arrangement (the "Scheme") between the Company and its creditors (the "Scheme Creditors") was approved by the Scheme Creditors. Pursuant to the Scheme, upon completion, all the Company's indebtedness (including but not limited to any guarantee or indemnity given by the Company) was compromised and discharged in full in return for a cash payment of HK$72 million, which was funded by the Company out of the proceeds from the subscription.

(d) Group reorganisation

Upon completion, all the issued shares of several subsidiaries of the Company (the "Disposed Subsidiaries") were transferred to a nominee of the Scheme Administrators (the "Scheme Administrators") for the benefit of the Scheme Creditors at a nominal consideration of HK$1 and any guarantee or indemnity given by the Company in respect of the obligations or liabilities of each of the Disposed Subsidiaries was released and discharged in full upon such transfer.

Details of the capital restructuring and subscription are set out in note 32 to the consolidated financial statements. The Scheme and the group reorganisation are detailed in note 10 to the consolidated financial statements.

3. Adoption of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for annual periods beginning on or after 1 January 2011.

(a) Adoption of new and revised HKFRSs — effective 1 January 2011

HKFRSs (Amendments)	Improvements to HKFRSs 2010
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) — Interpretation 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
HKAS 24 (Revised)	Related Party Disclosures

The adoption of these new and revised standards and interpretations has no material impact on the Group's consolidated financial statements for the current or prior accounting periods, except for the following amendments:

Amendment to HKFRS 7 "Financial Instruments: Disclosures" (as part of the improvements to HKFRSs issued in 2010) requires disclosure in respect of the description of collateral held as security and of other credit enhancements and their financial effect of the amount that best represents the maximum exposure to credit risk. The Group has several securities held as collateral over the accounts receivable which are past due but not impaired. The application of the new amendment would only extend the disclosure as set out in note 23 to the consolidated financial statements, and have no impact on the Group's result in the current and prior years.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

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

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

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets[2]
Amendments to HKAS 32	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 9 and Amendments to HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 19 (2011)	Employee Benefits[4]
HKAS 27 (2011)	Separate Financial Statements[4]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[4]
HK(IFRIC) — Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

Amendments to HKFRS 7 — Disclosures — Offsetting Financial Assets and Financial Liabilities

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

(b) New and revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 9 — Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 — Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them. The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The implementation of HKFRS 10 may result in changes in those entities which are regarded as being controlled by the Group and are therefore consolidated in the financial statements. The accounting requirements in the existing HKAS 27 on other consolidation related matters are carried forward unchanged. HKFRS 10 is applied retrospectively subject to certain transitional provisions.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

(b) New and revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 11 — Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting. HKFRS 11 does not allow proportionate consolidation. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. HKFRS 11 will be applied retrospectively with specific restatement requirements for a joint venture which changes from proportionate consolidation to the equity method and a joint operation which changes from equity method to accounting for assets and liabilities.

HKFRS 12 — Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

3. Adoption of new and revised Hong Kong Financial Reporting Standards *(Continued)*

(b) New and revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 13 — Fair Value Measurement

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 can be adopted early and is applied prospectively. The Group expects to adopt the standard from 1 January 2013.

The Group is in the process of making an assessment of the potential impact of these new and revised HKFRSs and the Group anticipates that the application of these new and revised HKFRSs will have no material impact on the Group's consolidated financial statements.

4. Significant accounting policies

The consolidated 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. The consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, except for trading rights which is measured at revalued amounts, as explained in the accounting policies set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Company's policies. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

4. Significant accounting policies *(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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between Group entities are eliminated on consolidation.

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

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. Significant accounting policies *(Continued)*

(b) Business combinations *(Continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

— deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

— liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

— assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

(c) Intangible assets

Trading rights represent right to trade on the Stock Exchange and Hong Kong Futures Exchange Limited (the "Future Exchange"). They are stated at revalued amount and amortised using the straight-line method over its estimated useful life.

Trading rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the trading rights' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purposes of determining the recoverable amount of trading rights, the Group estimates the recoverable amount of smallest cash generating unit to which the trading rights belong.

4. Significant accounting policies *(Continued)*

(c) Intangible assets *(Continued)*

Intangible assets with indefinite useful lives are carried at cost less any subsequent accounted impairment losses.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided 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 as follows:

Computers	20% – 33%
Office equipment and furniture	20%
Leasehold improvements	Over the shorter of lease term or 20%

Asset held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Subsequent costs are included in the asset'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. All other repairs and maintenance costs are charged to profit or loss during the year in which they are incurred.

4. Significant accounting policies *(Continued)*

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(e) Revenue recognition

Revenue arising from financial services are recognised on the following bases:

— Commission income for broking business is recorded as income on trade date basis.

— Underwriting commission and placing commission are recognised as income in accordance with the terms of the underwriting and placing agreements or deal mandate when the relevant significant acts have been completed.

— Arrangement, management, advisory and other fee income are recognised when the relevant transactions have been arranged or the relevant services have been rendered.

— Interest income from clients are recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Interest income from authorised institutions is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Dividend income is recognised when the right to receive payment is established.

Service fees are recognised when the relevant services are rendered.

4. Significant accounting policies *(Continued)*

(f) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. Significant accounting policies *(Continued)*

(g) Operating leases

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

(h) Retirement benefit costs

Payment to defined contribution retirement benefit plans and Mandatory Provident Fund Scheme which are defined contribution scheme are charged as an expense when employees have rendered service entitling them to the contributions.

(i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets with the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts receivable, financial assets included in other receivables, deposits and prepayments and bank balances (trust, segregated and general accounts) and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group classifies its financial liabilities into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Other financial liabilities

Other financial liabilities, including accounts and other payables, amounts due to directors and subsidiaries, loan payables and loan from the Investor, are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. Significant accounting policies *(Continued)*

(i) Financial instruments *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

(j) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with banks and short-term bank deposits with an original maturity period of three months or less.

(k) Convertible notes

Convertible notes contain liability and equity components.

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

(l) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. Significant accounting policies *(Continued)*

(l) Foreign currencies *(Continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in which they are incurred.

(n) Share based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined with reference to the fair value estimated by external valuer under a valuation model commonly used in the market, further details of which are given in note 34 to the financial statements.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

4. Significant accounting policies *(Continued)*

(n) Share based payments *(Continued)*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(o) Provisions and contingent liabilities

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

4. Significant accounting policies *(Continued)*

(p) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

— control, is controlled by, or is under common control with, the Group;

— has an interest in the company that gives it significant influence over the Group; or

— has joint control over the Group;

(ii) the party is a member of key management personnel of the Company or its parent company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entities resides with, directly or indirectly, the individual referred to in (ii) or (iii); and

(v) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. Key sources of estimation uncertainty

In application of the Group's accounting policies, which are described in note 4, the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The followings 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.

5. Key sources of estimation uncertainty *(Continued)*

Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of accounts receivable are approximately HK$10,076,000 (net of allowance for doubtful debts of approximately HK$26,279,000) (2010: HK$34,500,000 (net of allowance for doubtful debts of approximately HK$26,282,000)).

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The deprecation expenses for future periods are adjusted if there are significant changes from previous estimations.

Provisions and contingent liabilities

The Group recognises provision for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made. 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 contingent liability in a note to the consolidated financial statements.

Deferred taxation

Deferred taxation is recognised for all unused tax losses and accelerated tax deprecation to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the estimated level of future taxable profit of the Group. Details are set out in note 31 to the consolidated financial statements.

6. Financial instruments

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group's financial assets and liabilities as at the end of the reporting period are as follows:

Financial assets

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loans and receivables:				
Accounts receivable	**10,076**	34,500	**—**	—
Financial assets included in other receivables, deposits and prepayments	**—**	46	**—**	—
Loan to a subsidiary	**—**	—	**50,000**	—
Amounts due from subsidiaries	**—**	—	**132,563**	8
Bank balances — trust and segregated accounts	**50,355**	35,459	**—**	—
Bank balances (general accounts) and cash	**245,859**	36,918	**94,260**	4,253
	306,290	106,923	**276,823**	4,261

Financial liabilities

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities measured at amortised costs:				
Accounts payable	**55,131**	66,916	**—**	—
Financial liabilities included in other payables and accrued charges	**4,998**	28,621	**21**	27,039
Amounts due to directors	**763**	20,070	**763**	20,070
Amounts due to subsidiaries	**—**	—	**—**	5,230
Loan payables	**—**	60,084	**—**	60,084
Loan from the Investor	**—**	23,700	**—**	—
	60,892	199,391	**784**	112,423

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(i) Currency risk

The Group carries out business in overseas trading and therefore is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HKD. Currency risk arises from future commercial transactions and recognised assets and liabilities.

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets and liabilities denominated in a currencies other than the functional currency of the Group.

	2011	2010
	HK$'000	*HK$'000*
Assets		
Sterling ("GBP")	**719**	720
Australian Dollars ("AUD")	**778**	695
Japanese Yen ("JPY")	**17,426**	—
Chinese Yuen ("RMB")	**3,728**	—
United States Dollars ("USD")	**2,555**	928
Other currencies	**494**	175
Liabilities		
Sterling ("GBP")	**46**	700
Australian Dollars ("AUD")	**712**	607
United States Dollars ("USD")	**869**	876
Other currencies	**107**	109

The Group's net trading positions are denominated in currencies other than its functional currency and are subject to fluctuation in foreign exchange amongst different currencies. The Group considers that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD. The Group is exposed to currency risk arising from various currency exposures mainly to the extent of its bank balances in currencies other than USD, such as JPY and RMB. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Currency risk (Continued)

At 31 December 2011, if the major foreign currencies, such as RMB and JPY, that the Group with exposure had strengthened/weakened by 10% against HKD with all other variables held constant, loss for the year would have decreased and equity would have increased HK$1,766,000.

At 31 December 2010, the Group had not exposed to foreign currencies risk as the net trading positions of each of the foreign currencies are minimal.

(ii) Interest rate risk

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

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

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points (2010: 100 basis points) in interest rates, with all other variables held constant, loss for the year would have decreased and equity would have increased HK$1,517,000 (2010: would have no significant impact on the Group's profit for the year and equity).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date. A 100 basis points (2010: 100 basis points) increase or decrease in interest rates represents management's assessment of a reasonably possible change in interest rates. The analysis is performed on the same basis for 2010.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are accounts receivable and bank balances (trust, segregated and general accounts).

In order to minimize the credit risk on accounts receivable, the management of the Group is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts and receivables from cash clients with shortfalls. In addition, the Group reviews the recoverable amount of each individual account receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The management determines whether force-sell action is to be taken against clients with overdue balances on case-by-case basis. In this regards, the Group's credit risk is effectively controlled and significantly reduced.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. At the end of the reporting period, the Group has a certain concentration of credit risk as 10% (2010: 86%) of the total client receivables net of allowance for impairment loss was due from the five largest clients of the Group.

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable and the financial effect on the collateral held over overdue accounts receivable are set out in note 23.

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk

As at 31 December 2011, the Company and the Group had net current asset of approximately HK$93,602,000 and HK$246,911,000 (2010: net current liabilities of HK$117,976,000 and HK$107,639,000) respectively, and shareholders' equity of approximately HK$289,614,000 and HK$256,261,000 (2010: deficiency of shareholders' fund of HK$117,954,000 and HK$107,091,000), respectively.

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

The Group

As at 31 December 2011	**On demand or less than 1 year** *HK$'000*	**Total undiscounted cash flow** *HK$'000*	**Carrying Amount** *HK$'000*
Accounts payable	**55,131**	**55,131**	**55,131**
Financial liabilities included in other payables and accrued charges	**4,998**	**4,998**	**4,998**
Amounts due to director	**763**	**763**	**763**
	60,892	**60,892**	**60,892**

As at 31 December 2010	On demand or less than 1 year *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying Amount *HK$'000*
Accounts payable	66,916	66,916	66,916
Financial liabilities included in other payables and accrued charges	28,621	28,621	28,621
Loan payables	60,084	60,084	60,084
Loan from the Investor	23,700	23,700	23,700
Amounts due to directors	20,070	20,070	20,070
	199,391	199,391	199,391

6. Financial instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Liquidity risk *(Continued)*

The Company

As at 31 December 2011	**On demand or less than 1 year** *HK$'000*	**Total undiscounted cash flow** *HK$'000*	**Carrying Amount** *HK$'000*
Financial liabilities included in other payables and accrued charges	**21**	**21**	**21**
Amounts due to directors	**763**	**763**	**763**
	784	**784**	**784**

As at 31 December 2010	On demand or less than 1 year *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying Amount *HK$'000*
Financial liabilities included in other payables and accrued charges	27,039	27,039	27,039
Loan payables	60,084	60,084	60,084
Amounts due to subsidiaries	5,230	5,230	5,230
Amounts due to directors	20,070	20,070	20,070
	112,423	112,423	112,423

(c) Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

— the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

— the fair values of other financial assets and financial liabilities determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions as input.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

7. Revenue

Revenue represents the net amounts received and receivable during the year. An analysis of the Group's revenue for the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Brokerage and commission income	**9,611**	8,723
Placing, underwriting and sub-underwriting commission income	**3,538**	4,801
Consultancy and advisory fee income	**8,910**	346
Interest income	**148**	171
	22,207	14,041

The analysis of revenue by major products and services is set out in note 8 below.

8. Segment information

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group is currently organised into three operating segments, namely (i) securities brokerage, (ii) securities underwriting and placements, and (iii) consultancy and advisory services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment profit represents the profit earned by the segment without allocation of general and administrative staff costs, gain on restructuring, other central administrative costs, other income, finance costs, depreciation, and taxation. This is the measure reported to the chief operating decision marker, at the relevant times, for the purposes of resource allocation and performance assessment.

8. Segment information *(Continued)*

Segment revenue and results

For the year ended 31 December 2011

	Securities brokerage *HK$'000*	Securities underwriting and placements *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Segment revenue	**9,759**	**4,040**	**8,910**	**22,709**
Elimination of inter-segment revenue	**—**	**(502)**	**—**	**(502)**
Consolidated revenue	**9,759**	**3,538**	**8,910**	**22,207**
Reportable segment profit	**3,812**	**2,519**	**6,662**	**12,993**
Other income				**1,260**
Gain on restructuring				**30,011**
Unallocated staff costs				**(13,270)**
Finance costs				**(1,066)**
Depreciation				**(1,357)**
Legal, professional and consultancy fee				**(20,549)**
Other central administrative costs				**(16,824)**
Loss for the year				**(8,802)**

For the year ended 31 December 2010

	Securities brokerage *HK$'000*	Securities underwriting and placements *HK$'000*	Consultancy and advisory services *HK$'000*	Total *HK$'000*
Segment and consolidated revenue	8,894	4,801	346	14,041
Reportable segment profit	8,717	4,801	346	13,864
Other income				348
Unallocated staff costs				(3,303)
Finance costs				(259)
Depreciation				(78)
Legal, professional and consultancy fee				(1,796)
Other central administrative costs				(6,266)
Profit for the year				2,510

8. Segment information *(Continued)*

Segment assets and liabilities

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

Other segment information

For the year ended 31 December 2011

	Securities brokerage	**Securities underwriting and placements**	**Consultancy and advisory services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Interest income from cash clients	**148**	**—**	**—**	**148**
Other interest income	**—**	**—**	**—**	**—**
Impairment loss on accounts receivable	**—**	**—**	**—**	**—**
Recovery of impairment loss on accounts receivable	**(3)**	**—**	**—**	**(3)**

For the year ended 31 December 2010

	Securities brokerage	Securities underwriting and placements	Consultancy and advisory services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest income from cash clients	168	—	—	168
Other interest income	3	—	—	3
Impairment loss on accounts receivable	20	—	—	20
Recovery of impairment loss on accounts receivable	(8)	—	—	(8)

Geographical information

The Group's capital expenditures are located in the People's Republic of China including Hong Kong (the "PRC"). The Group's turnover was derived from the PRC where the customers are located.

8. Segment information *(Continued)*

Information about major customers

The Group's revenue to external customers which accounted for 10% or more of its total revenue are as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A	**N/A**[2]	2,751
Customer B	**2,306**	2,963
Customer C	**N/A**[2]	2,047
Customer D	**4,000**	N/A[1]
Customer E	**2,944**	N/A[1]

[1] The transactions with these customers did not account for more than 10% of the total revenue of the Group for the year ended 31 December 2010.

[2] The transactions with these customers did not account for more than 10% of the total revenue of the Group for the year ended 31 December 2011.

Revenue derived from customers A and B are included in the segment of securities brokerage. Revenue derived from customers C and D are included in the segments of securities underwriting and placements, and consultancy and advisory, respectively. Revenue derived from customer E is included in the segments of securities underwriting and placements, and consultancy and advisory.

9. Other operating income

	2011	2010
	HK$'000	*HK$'000*
Management, handling fee and nominee services	**559**	266
Miscellaneous income	**701**	82
	1,260	348

10. Gain on restructuring

As part of the Restructuring, all the claims by the Scheme Creditors against the Company were discharged and waived by way of the Scheme under Section 166 of the Hong Kong Companies Ordinance (Cap 32). The Scheme was sanctioned by the Court on 2 August 2011.

Pursuant to terms of the Restructuring Agreement, on the Completion Date, the Company assigned and transferred all its rights, title and interest to or in any of the receivables, together with proceeds from subscription of shares by the Investor and proceeds from realization of assets being kept in escrow by the Ex-Liquidators to the Scheme Administrators for the settlement and discharge of claims against the Company by the creditors in accordance with the terms of the Scheme. Upon the Completion Date, all liabilities existing at the date of appointment of the Ex-Liquidators of the Company were compromised and discharged through the Scheme. The excess of the amount of liabilities over the amount of assets transferred to the Scheme was recognised as gain arising on restructuring in the profit or loss for the year.

Integral to the Restructuring was the Disposed Subsidiaries that were non-strategic to the future development of the Group. The gain on disposal of the Disposed Subsidiaries was recognised as part of the gain on restructuring in the profit or loss for the year.

On the Completion Date, the following liabilities of the Company and the Disposed Subsidiaries have been released and discharged, and derecognised:

	Note	*HK'000*
Liabilities of the Company released or discharged:		
Accrual and other payables		23,552
Amounts due to directors		20,070
Loan payables		60,084
Total liabilities of the Company released or discharged	*(i)*	103,706
Satisfied by:		
Proceeds from issuance of shares and convertible notes transferred to the Scheme Administrators	*(ii)*	(72,000)
Bank balances (general accounts) and cash	*(iii)*	(1,732)
		29,974
Liabilities of Disposed Subsidiaries derecognised:		
Accrual and other payables		37
Gain on restructuring		30,011

10. Gain on restructuring *(Continued)*

Note:

(i) This amount represents the aggregate Scheme indebtedness, indebtedness and liabilities (actual and contingent) of the Company released and discharged at the Completion Date.

(ii) Gainhigh, being the new investor of the Company, subscribed 128,225,806 shares with par value of HK$0.01 for a cash consideration of HK$79,500,000 and subscribed a non-interest bearing, non-redeemable convertible notes in the aggregate principal of HK$92,500,000 at an initial conversion price of HK$0.62 per new share. Based on the Restructuring Agreement, part of the proceeds from the issuance of the shares and convertible notes of HK$72,000,000 was made available to the Scheme Administrators and HK$20,000,000 was used to settle all the cost, charges, expenses and disbursements in connection with the Restructuring (the "Cost of Restructuring"). Immediately prior to the Completion Date, Gainhigh has already advanced HK$58,700,000 to the Company, of which HK$20,000,000 and HK$38,700,000 were included in deposits from the Investor and loan from the Investor in the Company's and the consolidated statement of financial position, respectively. The remaining amount of HK$113,300,000 would be received by the Company as the proceeds from the issuance of shares and convertible notes. Further details are set out in notes 27 and 32 to the consolidated financial statements.

(iii) The amount represents the bank balances (general accounts) and cash held by the Ex-Liquidators that the Company had no control after the Completion Date.

Cash outflow on Restructuring is set out below:

	HK'000
Cash and cash equivalent balances derecognised:	
Bank balances (general accounts) and cash	1,732
Repayment of liabilities due to Scheme Creditors (made available to Scheme Administrators)	72,000
	73,732

11. Staff costs

	2011	2010
	HK$'000	*HK$'000*
Directors' emoluments *(note 12)*	**4,088**	—
Other staff costs		
— salaries and allowances	**18,045**	3,179
— commission paid	**127**	151
— contributions to retirement benefit scheme	**227**	124
Total staff costs	**22,487**	3,454

12. Directors' emoluments

Details of the emoluments paid to the Directors for the year ended 31 December 2011 are set out below. There were no emoluments paid to the Directors for the year ended 31 December 2010.

	Fees	Salaries and other benefits	Contribution to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors				
Ko Chun Shun, Johnson [1]	95	—	1	96
Zhang Binghua [1]	95	1	—	96
Chen Shengjie [1]	95	1	—	96
Kwan Angelina Agnes [1]	95	3,201	24	3,320
Tsoi Tong Hoo, Tony [1]	95	—	1	96
Ko Wing Yan, Samantha [1]	95	—	1	96
Lu Ruifeng [2]	—	—	—	—
Yiu Hoi Ying [2]	—	—	—	—
Independent non-executive directors				
Liu Zhengui [1]	95	1	—	96
Ding Kebai [1]	95	1	—	96
Chu Chung Yue, Howard [1]	95	1	—	96
Lu Ning [2]	—	—	—	—
Li Chun [2]	—	—	—	—
	855	3,206	27	4,088

Notes:

1 Appoinited as the Directors on the Completion Date at the conclusion of an extraordinary general meeting on 21 July 2011.

2 Removed as the Directors on the Completion Date at the conclusion of an extraordinary general meeting on 21 July 2011.

13. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2010: none) was a director of the Company whose emolument is included in the disclosures in note 12 above. The emoluments of the remaining four (2010: five) were as follows:

	2011	2010
	HK$'000	*HK$'000*
Salaries and other benefits	**3,884**	2,155
Inducement to join the Group *(note (i))*	**249**	—
Contribution to retirement benefit scheme	**20**	52
	4,153	2,207

Note:

(i) The inducement to join the Group represents several sign-on payments paid to employees on the condition that such employees have to work in the Group for at least 12 months from the date of employment. Included in the inducement paid to the above individuals to join the Group is an amount of HK$180,000 charged to the profit or loss for the year ended 31 December 2011. The remaining balance of HK$69,000 was included in other receivables, deposits and prepayments in the consolidated statement of financial positions as at 31 December 2011. No inducement to join the Group was paid for the year ended 31 December 2010.

Analysis of emoluments of the five highest paid individuals (including Directors and other employees) by emolument range is as follows:

	Number of employees	
	2011	2010
Not exceeding HK$1,000,000	**2**	4
Exceeding HK$1,000,000 but not exceeding HK$1,500,000	**2**	1
Exceeding HK$3,000,000 but not exceeding HK$3,500,000	**1**	—

During the years ended 31 December 2011 and 2010, no Directors waived any emoluments.

14. Finance costs

	2011	2010
	HK$'000	*HK$'000*
Interest on other loans, wholly repayable within five years	**1,066**	259

15. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging the following:

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	**630**	580
Impairment loss on accounts receivable	**—**	20
Depreciation	**1,357**	78
Operating lease charges in respect of office premises	**3,379**	709
Legal, professional and consultancy fees	**20,549**	1,796
Ex-Liquidators' remuneration	**406**	3,210
Net exchange loss	**30**	47

16. Income tax

No provision for Hong Kong Profits Tax were made for the year ended 31 December 2011 and 2010 as the Group had either no assessable profits arising in Hong Kong for that year or an allowable tax loss brought forward which exceeded its estimated assessable profit for that year.

The tax charge for the year can be reconciled to the (loss)/profit before tax per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss/(profit) before taxation	**(8,802)**	2,510
Tax at applicable Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**(1,453)**	413
Tax effect of non-deductible expenses	**1,532**	1,148
Tax effect of non-taxable income	**(4,961)**	(1)
Tax effect of utilisation of tax losses previously not recognised	**(386)**	(1,560)
Tax effect of tax losses not recognised	**5,268**	—
Tax charge for the year	**—**	—

17. (Loss)/profit attributable to owners of the Company

The consolidated (loss)/ profit attributable to owners of the Company includes a profit of HK$35,917,000 (2010: a loss of HK$5,577,000) which has been dealt with in the financial statements of the Company.

18. Dividends

No dividend was paid or proposed for the year ended 31 December 2011 (2010: nil), nor has any dividend been proposed since the end of the reporting period.

19. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic loss (2010: earnings) per share is based on the loss for the year of HK$8,802,000 (2010: profit for the year of HK$2,510,000) and on the weighted average number of 119,772,773 (2010: 30,870,145 after share consolidation of every 50 issued shares of HK$0.20 each into 1 consolidated share) shares in issue during the year.

(b) Diluted (loss)/earnings per share

The (loss)/earnings and the weighted average number of ordinary shares used in the calculation of diluted (loss)/earnings per share for the year ended 31 December 2011 and 2010 are the same as those for the basic earnings per share, as appropriate, outlined above.

The calculation of diluted loss per share for the year ended 31 December 2011 has not assumed the conversion of the Company's convertible note and the exercise of the warrant (2010: has not assumed the exercise of the warrant) as these potential ordinary shares are anti-dilutive during the year.

20. Property, plant and equipment

The Group	Computers	Office equipment and furniture	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2010	195	311	192	698
Additions	51	—	—	51
At 31 December 2010 and 1 January 2011	246	311	192	749
Additions	2,874	2,416	4,914	10,204
Disposal	(154)	(302)	(192)	(648)
At 31 December 2011	**2,966**	**2,425**	**4,914**	**10,305**
Accumulated depreciation and impairment				
At 1 January 2010	173	274	151	598
Charge for the year	9	28	41	78
At 31 December 2010 and 1 January 2011	182	302	192	676
Charge for the year	318	317	722	1,357
Elimination on disposal	(154)	(302)	(192)	(648)
At 31 December 2011	**346**	**317**	**722**	**1,385**
Net book value				
At 31 December 2011	**2,620**	**2,108**	**4,192**	**8,920**
At 31 December 2010	64	9	—	73

20. Property, plant and equipment *(Continued)*

The Company	**Computers**	**Office equipment and furniture**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2010, 31 December 2010, 1 January 2011	76	202	278
Disposal	(76)	(202)	(278)
At 31 December 2011	**—**	**—**	**—**
Accumulated depreciation and impairment			
At 1 January 2010	76	191	267
Charge for the year	—	11	11
At 31 December 2010 and 1 January 2011	76	202	278
Elimination on disposal	(76)	(202)	(278)
At 31 December 2011	**—**	**—**	**—**
Net book value			
At 31 December 2011	**—**	**—**	**—**
At 31 December 2010	—	—	—

21. Interests in subsidiaries

	The Company	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Investment in shares		
Unlisted shares, at cost	**13,460**	13,460
Disposal of investment in the Disposed Subsidiaries	**(11)**	—
	13,449	13,460
Less: allowance for impairment loss	**—**	(8,216)
	13,449	5,244
Due from/(to) subsidiaries		
Loan to a subsidiary	**50,000**	—
Amounts due from subsidiaries	**132,563**	78,722
Less: allowance for impairment loss	**—**	(78,714)
	182,563	8
Amounts due to subsidiaries	**—**	(5,230)
Interests in subsidiaries	**196,012**	22

Loan to a subsidiary carries interest at a rate of 5% per annum, is unsecured and has no fixed repayment terms. Amounts due from/(to) subsidiaries are unsecured, interest-free and no fixed repayment terms. The Company will not demand repayment or require repayment of loan to a subsidiary and amounts due from/(to) subsidiaries within 12 months from the end of the reporting period. The carrying amounts of the loan to a subsidiary and amounts due from/(to) subsidiaries are approximate their fair values at the end of the reporting period.

During the year, the Company disposed its subsidiaries with an investment cost of HK$11,000 as part of the Restructuring.

During the year, due to the capital injection and the restructuring of the Group, the Company reassessed the recoverable amount of the investment costs of the subsidiaries and the amounts due from subsidiaries, and reversed the impairment of HK$8,216,000 (2010: Nil) and HK$78,714,000 (2010: Nil) respectively.

21. Interests in subsidiaries *(Continued)*

Details of the Company's subsidiaries principally affected the results or assets of the Group as at 31 December 2011 are all operating in Hong Kong and are as follows:

Name of company	Place of incorporation	Paid up share capital	Class of shares held	Percentage of nominal values of issued share capital held by the Company Directly %	Indirectly %	Principal activities
Mansion House Financial Holdings Limited	British Virgin Islands	US$955,000	Ordinary	100	—	Investment holding and provision of administrative services
REORIENT Financial Markets Limited (formerly known as Mansion House Securities (F.E.) Limited)	Hong Kong	HK$100,000,000 (2010: HK$51,000,000)	Ordinary	—	100	Securities broking, securities underwriting and placements, and corporate finance advisory services
REORIENT Capital Markets Limited	Hong Kong	HK$1	Ordinary	—	100	Corporate Advisory
REORIENT (Nominees) Limited (formerly known as Mansion House (Nominees) Limited)	Hong Kong	HK$100	Ordinary	—	100	Provision of nominee service
REORIENT Credit Limited (formerly known as MHS Futures Limited)	Hong Kong	HK$6,000,000	Ordinary	100	—	Dormant
REORIENT Global Limited	Hong Kong	HK$1	Ordinary	100	—	Provision of administrative services
Fast Capital Holdings Limited	Hong Kong	HK$10,000	Ordinary	—	100	Investment holding
REORIENT Holdings Limited	Hong Kong	HK$1	Ordinary	100	—	Investment holding
Wise Point Holdings Limited	British Virgin Islands	US$1	Ordinary	100	—	Investment holding
Profit Trigger Limited	British Virgin Islands	US$1	Ordinary	100	—	Brand and trademark

22. Trading rights

	The Group *HK$'000*
Revalued amount	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	6,000
Accumulated amortisation	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	6,000
Net book value	
At 31 December 2011	**—**
At 31 December 2010	—

The Group holds 2 trading rights at the Stock Exchange and 1 trading right at the Futures Exchange. These trading rights were revalued as at 31 December 2001 and are amortised over 8 years since 2002.

Had the trading rights been carried at cost less accumulated amortisation, they would have been fully amortised as at 31 December 2011 and 31 December 2010.

23. Accounts receivable

(a) Analysis of accounts receivable

The carrying amount of accounts receivable arising from the course of business of the Group are as follows:

	The Group	
	2011 ***HK$'000***	2010 *HK$'000*
Accounts receivable arising from dealing and broking:		
— Margin clients	**26,124**	26,126
— Cash clients	**7,120**	30,871
— Broker, dealers and clearing houses	**312**	3,785
Accounts receivable arising from underwriting, corporate finance, advisory and consultancy services:		
— Corporate clients	**2,799**	—
	36,355	60,782
Less: allowance for doubtful debts	**(26,279)**	(26,282)
	10,076	34,500

23. Accounts receivable *(Continued)*

(b) Ageing analysis of accounts receivable

The Group allows the settlement terms of accounts receivable arising from the business of dealing in securities are two days after trade date. The following is an ageing analysis of accounts receivable net of allowance for doubtful debts at the end of the reporting period:

	Accounts receivable from			
	Cash clients	**Brokers and dealers**	**Corporate clients**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011				
Within 30 days	**5,693**	**312**	**2,719**	**8,724**
Within 31 – 90 days	**492**	**—**	**80**	**572**
More than 90 days	**780**	**—**	**—**	**780**
	6,965	**312**	**2,799**	**10,076**
At 31 December 2010				
Within 30 days	30,631	3,785	—	34,416
Within 31 – 90 days	1	—	—	1
More than 90 days	83	—	—	83
	30,715	3,785	—	34,500

The Group has procedures and policies to assess the potential client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness. Most of the accounts receivable that are neither past due nor impaired have good repayment history in prior years.

23. Accounts receivable *(Continued)*

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

Included in the Group's accounts receivable balances are debtors with aggregate carrying amount of HK$2,374,000 (2010: HK$2,680,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss.

Ageing analysis of accounts receivable which are past due but not impaired is as follows:

	Accounts receivable from			
	Cash clients	**Brokers and dealers**	**Corporate clients**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2011				
Within 30 days	**561**	**—**	**461**	**1,022**
More than 30 days	**1,272**	**—**	**80**	**1,352**
	1,833	**—**	**541**	**2,374**
Fair value of collateral	**5,969**	**—**	**—**	**5,969**

	Accounts receivable from			
	Cash clients	Brokers and dealers	Corporate clients	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2010				
Within 30 days	2,597	—	—	2,597
More than 30 days	83	—	—	83
	2,680	—	—	2,680
Fair value of collateral	2,685	—	—	2,685

23. Accounts receivable *(Continued)*

(c) Accounts receivable which are past due but not impaired *(Continued)*

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

Accounts receivable from corporate clients which are past due but not impaired represent accounts receivable arising from corporate finance, consultancy and advisory services which have not yet been settled by clients after the Group's normal credit period of 1 – 2 months from the date of invoice. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation.

(d) Impaired accounts receivable

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

The Group ceased providing margin financing service since the year 2004 and the balance represented the past due amounts due from margin clients brought forward from the year 2004. Substantial amount of impairment has been provided. During the year ended 31 December 2009, the Group started to provide impairment loss on accounts receivable arising from the business of dealing in securities. The movement of the allowance for doubtful debts during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**26,282**	26,270
Amount recovered during the year	**(3)**	(8)
Impairment losses recognised on accounts receivable	**—**	20
Balance at end of the year	**26,279**	26,282

23. Accounts receivable *(Continued)*

(d) Impaired accounts receivable *(Continued)*

Included in the allowance for doubtful debts were individually impaired accounts receivable which have financial difficulties and defaults in payments. Among the allowance for doubtful debts, approximately HK$26,121,000 (2010: HK$26,124,000) relates to individually impaired margin clients accounts receivable while HK$158,000 (2010: HK$158,000) relates to individually impaired accounts receivable arising from the business of dealing in securities. Consequently, specific allowance for doubtful debts was recognised. The Group does not hold any collateral over these balances.

Included among the margin clients accounts receivable is HK$17,154,000 (2010: HK$17,154,000) margin loans which was granted in the prior years to the companies controlled by family members of an ex-director, which were fully provided in the allowances for doubtful debtors above.

(e) Balance with related parties

As at 31 December 2011, included in the accounts receivable from corporate clients are amounts of HK$590,000 receivable from the companies controlled by a director of the Company (2010: nil).

24. Other assets and liabilities

(a) Statutory deposits for financial services business

Statutory deposits for financial services business represent deposits with various exchanges and clearing houses. The amounts are non-interest bearing and have no fixed terms of repayment.

(b) Other receivables, deposits and prepayments

As at 31 December 2010, included in other receivables, deposits and prepayments were on demand collateral deposits with the Hong Kong Securities Clearing Company Limited ("HKSCC") as the Group maintains a net long Continuous Net Settlement position, which amounts to HK$118,000. The settlement terms of the deposits are the same as that of the accounts receivable arising from the business of dealing in securities, which is two days after trade day. No on demand collateral deposits were paid by the Group as at 31 December 2011 as the Group did not maintain a net long Continuous Net Settlement position.

24. Other assets and liabilities *(Continued)*

(c) Bank balances — trust and segregated account

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business of the regulated activities. The Group has classified the bank balances — trust and segregated account under the current assets of the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(d) Bank balances (general accounts) and cash

The amounts comprise cash held by the Group.

(e) Other payables and accrued charges

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Accrued loan interest payable in respect of:		
— loan payables as set out in note 26	**—**	16,477
— loan from the Investor as set out in note 27	**—**	175
Other accrued operating expenses	**7,202**	15,947
	7,202	32,599

	The Company	
	2011	2010
	HK$'000	*HK$'000*
Accrued loan interest payable in respect of:		
— loan payables as set out in note 26	**—**	16,477
Other accrued operating expenses	**40**	14,098
	40	30,575

25. Accounts payable

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Cash clients	**53,154**	66,915
Broker, dealers and clearing houses	**1,977**	1
	55,131	66,916

Included in accounts and other payables are payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities, which amounts to HK$50,355,000 (2010: HK$35,459,000). Details of bank balances — trust and segregated account are set out in note 24(c) above.

The ageing analysis of the Group's accounts payable at the end of the reporting period, based on the settlement due date, is within 30 days.

26. Loan payables

	The Group and the Company	
	2011	2010
	HK$'000	*HK$'000*
Loan payables	**—**	60,084

As at 31 December 2010, the loan payables comprised HK$2,000,000 at nil interest and the remaining loan amount of approximately HK$58,084,000 carried interest at 7% per annum. These loans were admitted, discharged and released by way of Restructuring as set out in note 10.

27. Deposits and loan from the Investor

	The Group and the Company	
	Deposits from the Investor	Loan from the Investor
	HK$'000	*HK$'000*
At 1 January 2010	**7,000**	—
Advancement during the year	**4,500**	23,700
At 31 December 2010 and 1 January 2011	**11,500**	23,700
Advancement during the year	**8,500**	15,000
Repaid upon issuance of subscription shares and convertible notes *(note 10)*	**(20,000)**	(38,700)
At 31 December 2011	**—**	—

Loan from the Investor carried a fixed interest rate of 5% per annum and was repayable on the Completion Date. It was secured by way of first fixed charge on all interests and dividends from the entire issued share capital of REORIENT Financial Markets Limited ("RFM"), which has been released on the Completion Date.

Deposits from the Investor represented the amount deposited by the Investor to meet the Cost of Restructuring.

28. Amounts due to directors

The amounts due to directors as at 31 December 2010 related to the amount incurred in prior years, and was dealt with under the Restructuring as set out in note 10 to the consolidated financial statements.

The amounts due to the directors as at 31 December 2011 relate to the current directors after their appointment to the Board on the Completion Date.

The amounts due to directors are unsecured, interest free and repayable on demand.

29. Banking Facility

As at 31 December 2011, the Group has been granted a bank overdraft facility of HK$40,000,000 and in this connection will be required to place a security deposit of HK$20,000,000 with the bank. As at the end of the reporting period and the date of this report, the Group has not yet effected the banking facility.

30. Convertible notes

On the Completion Date, the Company issued a non-redeemable and non-interest bearing convertible notes with nominal value of HK$92,500,000 to Gainhigh. The convertible notes have a tenure of five years and convertible into new shares at an initial conversion price of HK$0.62 per new share.

As the convertible notes are non-redeemable in nature, the proceeds received is classified as equity and presented under the heading of "convertible note reserve" initially.

During the year ended 31 December 2011, all the convertible notes have been converted into shares of the Company. Details are set out in note 32 below.

31. Deferred taxation

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current year:

	The Group		
	Accelerated and capital allowance	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2010, 31 December 2010 and 1 January 2011	—	—	—
Charge/(credited) to profit or loss	555	(555)	—
At 31 December 2011	555	(555)	—

At 31 December 2011, the Group has unused tax losses of approximately HK$222 million (2010: HK$189 million) available for offset against future profits. A deferred tax asset amounting to HK$555,000 (2010: nil) has been recognised in respect of approximately HK$3 million (2010:nil) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$219 million (2010: HK$189 million) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

32. Share capital

(a) Authorised and issued share capital

	The Group and the Company	
	2011	2010
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.20 each	**—**	400,000
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	—
Issued and fully paid:		
1,543,507,296 ordinary shares of HK$0.20 each	**—**	308,701
384,494,527 ordinary shares of HK$0.01 each	**3,845**	—

During the year, the Company had the following movements in the share capital:

(i) Pursuant to the terms of the Restructuring Agreement,

(1) Every 50 issued and unissued shares of HK$0.20 each were consolidated into 1 consolidated share. As a result, 1,543,507,296 issued shares of HK$0.20 each were consolidated into 30,870,145 consolidated shares.

(2) The nominal value of the existing share was reduced from HK$10.00 each to HK$0.01 each. The credit arising as a result of the capital reduction of approximately HK$308.4 million has been applied to reduce the accumulated losses of the Company as permitted by the Hong Kong Companies Ordinance.

(3) After share consolidation and capital reduction became effective, the unissued share capital in the authorised share capital of HK$400,000,000 was cancelled and diminished resulting in an authorised and issued share capital of the Company becoming HK$308,701.

(4) Upon capital cancellation became effective, the authorized share capital was increased from HK$308,701 to HK$20,000,000 divided into 2,000,000,000 new ordinary shares.

32. Share capital *(Continued)*

(a) Authorised and issued share capital *(Continued)*

(ii) As part of the Restructuring, the Company, the Ex-Liquidators and Gainhigh, entered into the Subscription Agreement, pursuant to which, Gainhigh agreed to, upon the Completion Date, subscribe 128,225,806 new ordinary shares of HK$0.01 each at the subscription price of HK$0.62 per share, representing a total consideration of HK$79.5 million, and subscribe a non-interest bearing, non redeemable convertible notes in the principal amount of HK$92,500,000 at an initial conversion price of HK$0.62 per new share upon conversion.

(iii) On 7 September 2011, the convertible notes with principal amount of HK$37.2 million were converted into 60,000,000 new ordinary shares at a conversion price of HK$0.62 per share, and on 21 November 2011, the remaining amount of the outstanding convertible notes of HK$55.3 million were converted into 98,398,576 new ordinary shares at an adjusted price of HK$0.562 per share. All the convertible notes have been converted into shares of the Company during the year ended 31 December 2011.

(iv) On 6 September 2011, several arrangements were made for a private placement to independent investors of 67,000,000 shares of HK$0.01 each in the Company held by Gainhigh, at a price of HK$3 per share representing a discount of approximately 16.90% to the closing market price of the Company's shares on 5 September 2011. Pursuant to a subscription agreement of the same date, Gainhigh subscribed for 67,000,000 new shares of HK$0.01 each in the Company at a price of HK$3 per share. The proceeds were used to strengthen the Group's capital base, to provide financial resources for expansion plans and additional working capital for the Company. These new shares were issued pursuant to approval by the shareholders, at an extraordinary general meeting of Company held on 8 November 2011.

32. Share capital *(Continued)*

(a) Authorised and issued share capital *(Continued)*

A summary of the transactions during the year, with reference to the movements of the Company's ordinary share capital is as follows:

	No. of shares	Nominal Value
	'000	*HK$'000*
Authorised:		
At 1 January and 31 December 2010: 2,000,000,000 ordinary shares of HK$0.20 each	2,000,000	400,000
Share consolidation	(1,960,000)	—
Capital reduction and cancellation	(9,129)	(399,691)
Increase in authorised share capital	1,969,129	19,691
At 31 December 2011: 2,000,000,000 ordinary shares of HK$0.01 each	2,000,000	20,000
Issued and fully paid:		
At 1 January and 31 December 2010: 1,543,507,296 ordinary shares of HK$0.20 each	1,543,507	308,701
Capital reorganisation	(1,512,637)	(308,392)
	30,870	309
Subscription of ordinary shares of HK$0.01 each	128,226	1,282
Placement of ordinary shares of HK$0.01 each	67,000	670
Conversion of convertible notes to ordinary shares of HK$0.01 each	158,398	1,584
At 31 December 2011: 384,494,527 ordinary shares of HK$0.01 each	384,494	3,845

All the new shares rank pari passu with other shares in issue in all respects.

32. Share capital *(Continued)*

(b) Capital management

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

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

RFM manages its capital requirements by assessing shortfalls, if any, between the reported and the required capital levels on daily basis. The management monitors RFM's liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by SFC. Under the FRR, RFM must maintain its liquid capital in excess of HK$3 million or 5% of their total adjusted liabilities whichever is higher. The required information is filed with SFC on a daily basis up to 31 October 2011 and resumed monthly submission basis thereafter. RFM was in compliance with the capital requirements imposed by FRR during the current and prior year except for on 21 September 2010 RFM had a required liquid capital deficit of HK$4.6 million. The breach was rectified on 22 September 2010.

33. Share premium and reserves

The amounts of the Group's reserves and the movements therein for the current and prior year are presented in the consolidated statement of changes in equity on page 43 of the consolidated financial statements.

The amounts of the Company's reserves and the movements therein for the current and prior period are as follows:

The Company

	Share premium account	Warrant reserve	Convertible note reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note i)	*(note ii)*			
As at 1 January 2010	42,395	1,415	—	(464,888)	(421,078)
Total comprehensive loss for the year	—	—	—	(5,577)	(5,577)
As at 31 December 2010 and 1 January 2011	42,395	1,415	—	(470,465)	(426,655)
Total comprehensive profit for the year	—	—	—	35,917	35,917
Capital reduction	—	—	—	308,392	308,392
Subscription of shares	78,218	—	—	—	78,218
Placement of shares	200,330	—	—	—	200,330
Cost of issuance of shares	(1,349)	—	—	—	(1,349)
Issuance of convertibles notes	—	—	92,500		92,500
Conversions of convertible notes	90,916	—	(92,500)	—	(1,584)
Lapse of warrants	1,415	(1,415)	—	—	—
As at 31 December 2011	**411,925**	**—**	**—**	**(126,156)**	**285,769**

Note (i):

The share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less cost of issuance of shares. The application of share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

33. Share premium and reserves *(Continued)*

Note (ii):

On 31 January 2008, the Company issued 154,000,000 unlisted warrants at HK$0.01 per warrant. The issuance resulted in a net proceed of approximately HK$1,415,000 to the Company.

Principal terms of the warrants are as follows:

(a) The exercise period commenced on the date of issue of warrants and it will end three years from the date of issuance. Warrants that are not exercised during the exercise period will thereafter lapse and cease to be valid.

(b) The warrants are issued in registered form and constituted by a Deed Pool on 31 January 2008.

(c) The exercise price will be HK$0.25 payable in full in respect of each new share of the Company issued upon the exercise of the warrant. Each warrant carries the entitlement to subscribe for one new ordinary share of the Company.

(d) In the event of an issue of shares or other securities convertible to shares by the Company, the warrant holders shall not have any participating right in respect of such issue although the exercise price and the number of additional warrants to be issued shall be adjusted, calculated and determined as per the Deed Pool, unless otherwise resolved by the Company in a general meeting.

During the years ended 31 December 2010 and 2011, none of the warrants issued was exercised. On 31 January 2011, the warrants issued have lapsed and the net proceeds of HK$1,415,000 were transferred to share premium account.

34. Share option

The Company has a share option scheme which was adopted on 21 July 2011 whereby the Directors are authorised, at their discretion, to invite eligible participant (employee, director, consultant of each member of the Group) to take up options to subscribe for shares of the Company. The purpose of the share option scheme is to provide an opportunity for employees of the group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the company and its shares for the benefit of the Company and its shareholders as a whole.

The Company operates share option scheme as follows:

(1) The board has ten years after the adoption date to make an offer to any eligible participant (employee, director and consultant of each member of the Group). The share option scheme shall be valid for a period of ten years ending on 21 July 2021.

(2) The exercise price of the share option is determined as the highest of:

   (a) closing price of the shares on the offer date;

   (b) the average of the closing prices of the shares for the 5 days immediately preceding the offer date; and

   (c) the nominal value of a share.

34. Share option *(Continued)*

(3) The maximum number of share options under the scheme cannot exceed 10% of the total number of shares in issue on the adoption date. The Scheme limit can be refreshed in a general meeting with the approval of shareholders.

(4) Unless shareholder approval is obtained at a general meeting, the maximum entitlement of each eligible participant in the total number of shares issued and to be issued upon exercise of options granted under the share option scheme of the Company in any 12 month period shall not exceed 1% of the total number of shares in issue.

As at 31 December 2011, there is no share option granted under the share option scheme of the Company.

35. Commitments

The Group's commitments as at 31 December 2011 are as follows:

(a) Joint Venture Capital Commitments

On 21 October 2011, Fast Capital Holdings Limited ("Fast Capital"), a wholly-owned subsidiary of the Company, and Beijing Chengtong Investment Management Company ("Beijing Chengtong"), a wholly-owned subsidiary of China Chengtong Asset Management Corporation entered into a joint venture agreement to establish Beijing Chengtong Reorient Investment Consultancy Limited (the "BCRJV"), a Chinese-foreign equity joint venture in Beijing, PRC. The BCRJV will engage in the provision of investment management consulting and advisory services for state-owned enterprises in the PRC. Pursuant to the joint venture agreement, the BCRJV will be owned as to 51% equity by Fast Capital and 49% by Beijing Chengtong. The BCRJV's registered capital is RMB10,000,000 and Fast Capital's and Beijing Chengtong's committed share of capital injection is RMB5,100,000 and RMB4,900,000 respectively. As at the end of the reporting period, the BRCJV has been registered in Beijing. Fast Capital's committed capital injection will be made in accordance with the terms of the joint venture agreement.

(b) Underwriting commitment

As at 31 December 2011, the Group has underwritten a share placement whereby if the Group fails to procure placees or placees fail to purchase any or all of the placing shares, the Group would be required to purchase such placing shares. The Group's placing commitment is limited to HK$78,000,000.

35. Commitments *(Continued)*

(c) Granting of a margin loan facility

As at 31 December 2011, the Group has granted a margin loan facility of approximately HK$32,000,000 to a client to facilitate a share transaction subject to certain conditions which are to be fulfilled in January 2012.

(d) Operating lease commitments in respect of an office premise

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of an office premise which fall due as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within one year	**3,809**	196
Within two years to five years	**8,310**	—
	12,119	196

The Group leases an office premise under operating lease with remaining lease term of less than 40 months (2010: 4 months) and rentals are fixed throughout the lease period. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

(e) Indemnity given in respect of the employment of staff

During the year, Mansion House Financial Holdings Limited ("MHFHL"), a wholly-owned subsidiary of the Company, entered into employment contracts with four staff in connection with which MHFHL agreed to indemnify, subject to certain conditions, such staff in respect of legal costs, claims and liabilities that may arise from any claims made by their former employer arising from such staff leaving such former employment or commencing employment with MHFHL. During the year, MHFHL has paid approximately HK$8,649,000 in respect of legal and related costs pursuant to the indemnity, in connection with a lawsuit brought against such staff by their former employer for alleged breach of contract. The management expects that, the amount of the legal and related costs incurred and covered by the indemnity from the end of the reporting period to the date of this report should not exceed HK$3 million.

As of the date of this report, judgment on the legal dispute between the four staff and their former employer is still pending.

36. Retirement benefit schemes

The Group participates in both a defined contribution retirement benefits schemes which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a mandatory provident fund scheme established under the Mandatory Provident Fund Ordinance in December 2000. Contributions are made based on the lower of (i) a percentage of the employee's salaries and (ii) statutory ceiling, if any.

Contributions paid to retirement benefits schemes for Directors and staff are charged to profit or loss for the year ended 31 December 2011 and amounted to HK$254,000 (2010: HK$124,000). Any forfeited employer contributions in respect of employees who leave the ORSO Scheme prior to such contributions vesting fully will be used by the Group to reduce contributions. There was no forfeited contribution utilised by the Group in 2011 and 2010.

37. Related party transactions

The Group had the following significant related party transactions:

(a) On 11 October 2011, the Company entered into the Securities Services Agreement with Mr. Ko Chun Shun, Johnson ("Mr. Ko"), controlling shareholder of Gainhigh, under which the Group will provide the Securities Services to Mr. Ko or any of his associates for a term of up to 31 December 2013. Gainhigh is the controlling shareholder of the Company and is 80% beneficially owned by Mr. Ko. Mr. Ko and his associates are connected persons to the Company under the Listing Rules. The transactions contemplated under the Securities Services Agreement constitute non-exempt continuing connected transactions for the Company under the Listing Rules. Accordingly, the Securities Services Agreement and the relevant proposed annual caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Any securities services to be provided by the Group to Mr. Ko or any of his associates will be on normal commercial terms and in the ordinary and usual course of business of the Group.

(b) The following transactions were carried out with related parties:

		2011	2010
		HK$'000	*HK$'000*
Placing commission	*(i)*	**1,203**	—
Consultancy fee income	*(ii)*	**85**	—
Advisory fee income	*(iii)*	**440**	—

37. Related party transactions *(Continued)*

(b) *(Continued)*

Note:

(i) On 9 August 2011, the Group and Gainhigh entered into a placing agreement to place 9,000,000 shares at placing price of HK$2.80 per placing share. The Group received a fixed commission income amounting to HK$700,000. On 6 September 2011, Gainhigh has arranged to place 67,000,000 existing shares at the placing price of HK$3.00 per placing share to independent investors. RFM, acting as a broker of Gainhigh, received a commission income at a rate of 0.25% of the total placing consideration. These two related party transactions constituted connected transactions as defined in Chapter 14A of the Listing Rules, details of which have been disclosed in the Company's announcement dated 9 August 2011 and 7 September 2011.

(ii) During the year, the Group received consultancy fee income from China Chengtong Asset Management Corporation ("CCTAM") amounted to approximately HK$85,000. CCTAM is wholly-owned by China Chengtong Holdings Group Limited who owns 20% equity interest in Gainhigh.

(iii) The Group provided advisory services to China WindPower Group Limited and DVN (Holdings) Limited. Mr. Ko is a substantial shareholder in these two companies.

Details of investments and outstanding amounts with subsidiaries, accounts receivable with related parties, and amounts with directors were disclosed in notes 21, 23(e) and 28 to the consolidated financial statements respectively.

(c) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year is as follows:

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**5,437**	2,349
Post-employment benefits	**35**	61
	5,472	2,410

The remuneration of Directors and key executives is determined having regard to the performance of individuals and market trends.

38. Comparative

Certain comparative numbers have been changed to conform to the current year's presentation.

Five Year Financial Summary

	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**22,207**	14,041	3,769	3,877	10,742
(Loss)/profit before taxation	**(8,802)**	2,510	(12,822)	(20,997)	(47,603)
Taxation	**—**	—	—	—	—
(Loss)/profit for the year attributable to owners of the Company	**(8,802)**	2,510	(12,822)	(20,997)	(47,603)
Basic (loss)/earnings per share *(HKD)*	**(0.07)**	0.08	(0.42)	(0.68)	(1.57)
ASSETS AND LIABILITIES					
Property, plant and equipment	**8,920**	73	100	289	380
Other assets	**430**	475	430	703	974
Net current assets/(liabilities)	**246,911**	(107,639)	(109,731)	(96,271)	(78,551)
Non-current liabilities	**—**	—	(400)	(1,500)	—
	256,261	(107,091)	(109,601)	(96,779)	(77,197)
Share capital	**3,845**	308,701	308,701	308,701	308,701
Share premium	**412,428**	42,395	42,395	42,395	42,395
Other reserves	**(160,012)**	(458,187)	(460,697)	(447,875)	(428,293)
Shareholders' equity/(deficit)	**256,261**	(107,091)	(109,601)	(96,779)	(77,197)

REORIENT Group Limited
Suites 1102-03, 11/F, Far East Finance Centre
16 Harcourt Road, Admiralty, Hong Kong
T 852 2843 1488