2013 ANNUAL REPORT 年報

Shenyin Wanguo (H.K.) Limited
申銀萬國(香港)有限公司
(Stock Code 股份代號：218)

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun *(Chief Executive Officer)*
Lee Man Chun Tony

Non-executive Directors

Chang Pen Tsao
Zhang Lei

Independent Non-executive Directors

Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

AUDIT COMMITTEE

Ng Wing Hang Patrick *(Chairman)*
Kwok Lam Kwong Larry
Zhuo Fumin

REMUNERATION COMMITTEE

Kwok Lam Kwong Larry *(Chairman)*
Ng Wing Hang Patrick
Zhuo Fumin

NOMINATION COMMITTEE

Chu Xiaoming *(Chairman)*
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

COMPANY SECRETARY

Wong Che Keung Leslie

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd., Hong Kong Branch
China CITIC Bank International Limited
China Construction Bank (Asia) Corporation Limited
China Construction Bank Corporation, Hong Kong Branch
Chong Hing Bank Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Oversea-Chinese Banking Corporation Limited, Hong Kong Branch
Public Bank (Hong Kong) Limited
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS

Ernst & Young

SOLICITORS

Fred Kan & Co.

REGISTERED OFFICE

Level 19
28 Hennessy Road
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

http://www.sywg.com.hk

CHAIRMAN'S STATEMENT

I hereby present to the shareholders the annual report of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2013.

RESULTS

For the year ended 31 December 2013, the Group recorded a net profit attributable to shareholders of approximately HK$47 million, representing an increase of 57% over 2012. The turnover increased by 20% to approximately HK$354 million (2012: HK$294 million). The basic earnings per share increased by 57% to HK8.9 cents as compared to HK5.68 cents for 2012.

DIVIDEND

The board of directors (the "Board") of the Company has resolved to recommend the payment of a final dividend of HK4 cents per ordinary share in respect of 2013, to shareholders whose names appear on the register of members of the Company on 24 April 2014. The proposed dividend will be paid on or about 12 May 2014 subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

REVIEW OF MARKET IN 2013

In 2013, the economies of developed countries and emerging countries were fragmented significantly. The economies of developed countries, as represented by the U.S., Europe and Japan, were recovering steadily. With the U.S. property and employment markets improved substantially, the U.S. Federal Reserve Board announced in December 2013 that it has officially started to reduce the scale of quantitative easing. Europe had finally ended its economic recession which last for several quarters and the debt crisis of its periphery countries had mitigated substantially. For Japan, under its extremely easing monetary policies, both export and domestic consumption were growing strongly. Meanwhile, the economies of emerging countries were facing various difficulties. By benefiting from the depreciation of U.S. dollars in the past few years, the economic structural transformation of emerging countries fell behind the developed countries relatively. With the appreciation of U.S. dollars, the emerging countries are facing sluggish domestic demand, intensifying imported inflation and local currency depreciation one after another, leading to a vicious circle in asset devaluation. At the same time, the instability of economic conditions also triggered political turmoil in some countries, precipitating certain negative changes in geopolitics.

REVIEW OF MARKET IN 2013 *(Cont'd)*

As the largest economy in emerging countries, the Chinese Mainland has also duly ended its high growth trend in the past and returned to rational growth and convincingly achieved the 2013 GDP growth annual target. To maintain a rational economic growth, the government started to commence changes of the regulating and controlling mode in real estate market since the second quarter, and increased the investment and support to the relevant sectors in national economy, people's livelihood and economic transformation. Such measures had led the domestic economy to become stable since the third quarter. Under this impact, Hang Seng Index dropped to its trough of 19,426 on 25 June and started to rebound hastily to 23,502 on 19 September thereafter for three months, representing an increase of over 20%. At the same time, the new government leaders also launched strong and effective measures for its reform. In mid-November, the Third Plenary Session of The Eighteenth Central Committee of the Communist Party of China was duly convened. Policies for financial liberalisation, environmental governance, state-owned enterprise reform, two children for "single-child parent" and free trade zones are implemented and commenced successively, strengthening investors' confidence in the successful economic transformation in the Chinese Mainland. With the confidence of overseas investors recovering, Hang Seng Index made a breakthrough from its previous correction range, and surged strongly to 24,111 on 2 December. Thereafter, following the announcement by the U.S. Federal Reserve Board to reduce the scale of quantitative easing in which the investors took profits, Hang Seng Index was trembling down to 23,306 by the end of December. In 2013, the average daily turnover of the Hong Kong Stock Exchange amounted to HK$62.8 billion, representing an increase of 16.5% as compared with the average daily turnover of HK$53.9 billion in 2012.

PROSPECTS & FUTURE PLAN

For 2014, we expect the U.S. and Europe economies will continue to recover and the U.S. dollars will also continue to remain strong. Hence, we are not optimistic about the overall liquidity in emerging market. From the recently published macroeconomic information, the economic situation of the Chinese Mainland remained healthy and we maintain a conservative optimistic outlook on Hang Seng Index performance for 2014. Firstly, from the macro environment perspective, the economic growth momentum is still regressing, and under the tightening monetary conditions, social financing costs will remain high, exerting certain suppressing impact on enterprise investments. Furthermore, the treatment of local government debts and quality issues of bank assets will also linger the market. As such, we maintain an overall conservative attitude on Hang Seng Index performance. However, with the reform benefits further precipitated, structural opportunities in the market will be lying around. We believe that certain emerging sectors like new energy, medical, TMT (technology, media and telecommunication), environmental protection and military industry will achieve sound performance during the economic transformation process. In 2014 market overview, we believe Hang Seng Index will perform relatively sluggish with trends of opportunity not apparent, apart from certain sectors and companies that will continue to be robust. With the position of Hong Kong as RMB offshore center continues to consolidate, along with on-going development of cross-border businesses, some China-related securities will achieve relatively satisfactory performance. The new shares that are recently listed or about to be listed soon will represent the direction of economic adjustments in general in which they will also continue to inject new momentums in the market.

PROSPECTS & FUTURE PLAN *(Cont'd)*

In the coming year, the Group will closely monitor the opportunities from RMB internationalisation, marketisation of interest rate and exchange rate and cross-border business policies to accelerate the establishment of, among others, its four major platforms, namely, comprehensive trading platform for cross-border retail customers, comprehensive service platform for cross-border institutions, all round service platform for cross-border investment banks and cross-border assets management products platform, steadily build up its overseas network layout step by step, implement the regional strategies in development of overseas markets and products, and thereby laying a good foundation for the internationalisation of the Group.

Chu Xiaoming
Chairman

Hong Kong
10 February 2014

MANAGEMENT DISCUSSION & ANALYSIS

REVIEW OF OPERATIONS

Brokerage business

In 2013, Hang Seng Index witnessed a fluctuation, and market transaction volume recovered. As compared with 2012, the average daily turnover of the Hong Kong Stock Exchange increased 16.5%. The Group recorded a trading amount of HK$82.1 billion in Hong Kong stock and a brokerage revenue of HK$208 million, representing an increase of 18.6% and 24.9% over 2012 respectively. In 2013, the Group actively expanded the revenue development of non-Hong Kong stock channels and vigorously conducted overseas stock market trading in the U.S., U.K., Australia and Japan through online trading platforms, and promoted the global major commodity futures market trading in New York and Chicago in the U.S., London in the U.K., Tokyo in Japan and Malaysia, with such trading categories of bulk commodities, including precious metals, metals, energy and agricultural products as well as soft commodities. Commission on futures and options dealing for the Group increased by nearly 45% year-on-year. Agency sales business for OTC products, including RQFII, bonds and funds were started from scratch and contributed an aggregate additional revenue of over HK$3.6 million.

In 2013, the Group actively seized the favourable opportunities of overseas institutional investors' concern over RQFII and other cross-border products and businesses and attracted overseas institutional investors with innovative businesses and products as breakthrough. Such move had facilitated the traditional Hong Kong stock trading business and the Hong Kong stocks trading amount by institutional investors sales team has maintained its stability and accounted for 31% of total Hong Kong stock trading amount of the Group.

Financing and loans business

In 2013, the Group achieved income from financing and loans business of HK$95.69 million, representing an increase of 26% as compared with 2012. Of which HK$73.8 million, HK$2.9 million, and HK$18.99 million were interest income from clients loans, initial public offering loans, banks and others, respectively.

During the year, the Group appropriately expanded its loan size and increased interest income under the premise of risk control. In 2013, interest income from customers' margin financing increased by 28% as compared with 2012, compensating the downward trend in income from interest margin and deposits. In addition, the Group maintained the RQFII fund margin financing that was launched by the end of 2012. While coordinating with the on-going RQFII fund marketing, such financing also increased the total amount of margin financing and interest income.

Corporate finance business

Shenyin Wanguo Capital (H.K.) Limited ("Shenyin Wanguo Capital"), a wholly-owned subsidiary of the Group, is primarily engaged in the sponsor, financial advisory and securities underwriting businesses. In the first half of 2013, Shenyin Wanguo Capital successfully sponsored the listing of China Aluminum Cans Holdings Limited (6898) on the Main Board of the Hong Kong Stock Exchange. In the second half year, Shenyin Wanguo Capital participated in and co-sponsored the issuance of new shares by Goldpac Group Limited (3315), the largest credit card manufacturer in China, which was also successfully listed on the Hong Kong Stock Exchange. In 2013, Shenyin Wanguo Capital had 21 new financial advisory projects and participated in the underwriting of new shares issuance of 10 corporations, including China Galaxy Securities Co., Ltd., Huishang Bank Corporation Limited, New Century Real Estate Investment Trust and China Everbright Bank Company Limited, as well as share placements of 2 corporations, including Asia Coal Limited and Birmingham International Holdings Limited.

REVIEW OF OPERATIONS *(Cont'd)*

Securities research business

Our securities trading and brokerage businesses are professionally supported by a securities research team of the Group. With the support of our parent company, which is one of the leading securities companies in Chinese Mainland, the Group has become a specialist in the research of Chinese Mainland securities. The securities research team of the Group provides professional support for our brokerage businesses and produces regular reports on Hong Kong and Chinese Mainland securities markets. The reports also cover macroeconomics, market strategy as well as analysis on the key Chinese Mainland companies listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. The research team of the Group also prepares detailed industry and company analytical reports for circulation to our clients.

During 2013, together with our parent company, we invited various investment analysts or representatives of listed companies to participate in a total of 103 international roadshows organised by the Group and met with our clients in Asia, the U.S. and U.K. We believe that such activities were beneficial to the collaboration between our parent company and us and posed positive impact on the research and investment banking fronts.

Asset management business

Shenyin Wanguo Asset Management (Asia) Limited ("SWAM"), a subsidiary of the Group, is engaged in asset management business. By leveraging on the full utilisation of Hong Kong market recovery opportunity during the second half year, SWAM fully elaborated on RQFII innovative policy to vigorously conduct cross-border asset management business while maximising fund products profitability, with assets under management reaching HK$3 billion for the first time ever, representing an increase of 35% over the corresponding period of 2012, and achieved a business revenue of HK$9.26 million, which represented an increase of 55.1% over the corresponding period of 2012. Of which, assets under RQFII asset management business had reached HK$1.83 billion, accounting for 61% of total assets under management and maintained its dual growth momentum in both assets under management and revenue.

CAPITAL STRUCTURE

During the year, there was no change to the share capital of the Company. As at 31 December 2013, the total number of the issued ordinary shares was 530,759,126 shares and total equity attributable to shareholders was approximately HK$1.24 billion.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 December 2013, the Group had a cash holding of HK$278 million and short-term marketable securities of HK$138 million. As at 31 December 2013, the Group's total unutilised banking facilities amounted to HK$844 million, of which HK$436 million could be drawn down without the need of notice period nor completion of condition precedent.

As at 31 December 2013, the Group had outstanding short-term bank borrowings amounting to HK$809 million. The liquidity ratio (current assets to current liabilities) and gearing ratio (borrowings to net asset value) as at 31 December 2013 were 1.31 and 0.65 respectively.

The Group has sufficient financial resources for its day to day operations as well as spare capacity to take advantage of any investment opportunities when they arise.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITION AND DISPOSAL

During the year, the Group did not hold any significant investment and did not have any material acquisition or disposal.

CHARGES ON THE GROUP'S ASSET

No asset of the Group was subject to any charge as at 31 December 2013.

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of clients' trading and credit limits, regular reviews of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

The management closely monitors the market condition so that precautionary measures will be taken to eliminate any risk that the Group may encounter. As at 31 December 2013, all advances to customers were margin financing and amounted to approximately HK$1.5 billion (2012: HK$1.2 billion), of which 20% (2012: 6%) was attributable to corporate customers with the rest attributable to individual customers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The Group's exposure to fluctuations in exchange rates arises from its dealings in overseas share markets. Such dealings are entered into on behalf of clients of the Group and accounted for a small portion of the Group's revenue. A material portion of such overseas transactions is denominated in United States dollars. The pegged exchange rate between United States dollars and Hong Kong dollars kept the Group's exchange risk exposure to a minimum and thus, no hedging was required. Exchange gains and/or losses are dealt with in the statement of profit or loss. The Group has endeavored to closely monitor its foreign currency positions and take necessary measures when the situations so justify.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2013.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except the future plans as disclosed in the paragraph of "Prospects & Future Plan" in the Chairman's Statement, the Group had no other future plans for material investments or capital assets as at 31 December 2013.

EMPLOYEES AND TRAINING

As at 31 December 2013, the total number of full-time employees was 219 (2012: 219). The total staff costs for the year (excluding directors' fees) amounted to approximately HK$114 million.

The Group is committed to professional training for its employees. In compliance with the relevant requirement of the Securities and Futures Commission, the Group had organised a total of 11 Continuous Professional Training seminars for all licensed staff members for the year ended 31 December 2013.

CORPORATE SOCIAL RESPONSIBILITY

In 2013, the Group continued to fulfill its corporate social responsibility and care about social needs. The Group conducted various charitable and caring activities under the collaboration with Chinese Young Men's Christian Association (YMCA) of Hong Kong. The activities include the setting up of volunteer teams to assist the Elderly College of Chinese YMCA in holding a graduation ceremony and sponsoring its graduation party, holding educational movie show for the children from newly-immigrated families and donating goods and materials to low-income families in New Territories.

Not only does the Group hope to help people in need through the above charitable activities, it also hopes to cultivate the spirit of love of the Group's staff through such activities.

This year, the Group once again awarded the honour of "Caring Company" by the Hong Kong Council of Social Service in recognition of our fulfillment of the spirit as a good corporation and caring about the community.

CORPORATE GOVERNANCE REPORT

To better the Company's transparency and accountability to the shareholders, the Company is, so far as practicable, committed to maintaining high standard of corporate governance. Save for the deviation from the Code Provision A.6.7 which is explained as below, the Company has met all the code provisions stipulated in Appendix 14, Corporate Governance Code and Corporate Governance Report (the "Code"), of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2013.

Code Provision A.6.7 specifies that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other business engagements, a non-executive director and an independent non-executive director were unable to attend the annual general meeting and extraordinary general meeting of the Company both held on 10 May 2013.

CORPORATE GOVERNANCE PRINCIPLES AND SHENYIN WANGUO'S PRACTICES:

A.1 The Board of Directors

Principle: An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the interests of the issuer.

The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.

Four regular board meetings and two general meetings, being the annual general meeting and extraordinary general meeting both held on 10 May 2013, were held by the Company in the financial year ended 31 December 2013. Attendance record of each individual director is as follows:

Name of Directors	Number of board meeting(s) attended/held	Number of general meeting(s) attended/held
Executive Directors		
Chu Xiaoming *(Chairman)*	3/4	2/2
Lu Wenqing	4/4	2/2
Guo Chun *(Chief Executive Officer)*	4/4	2/2
Lee Man Chun Tony	4/4	2/2
Non-executive Directors		
Chang Pen Tsao	0/4	0/2
Huang Gang *(resigned on 18 February 2013)*	–	–
Zhang Lei *(appointed on 18 February 2013)*	3/4	2/2
Independent Non-executive Directors		
Ng Wing Hang Patrick	4/4	2/2
Kwok Lam Kwong Larry	4/4	2/2
Zhuo Fumin	2/4	0/2

Drafts of the agenda were sent to directors for comments before the meetings were held. They could include matters in the agenda for board meetings.

Notice of at least 14 days were given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice was given.

Minutes of the board meetings, and meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee are kept by the Company Secretary. Minutes of other board committees (as listed under D.2 Board Committees) are kept by the appointed secretary of each committee. Such minutes are open for inspection during office hour by any director by giving at least 2 days' notice to the Company Secretary.

Minutes of the board meetings and meetings of board committees have recorded in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes were sent to all directors for their comment and records respectively, normally within one month after the board meeting was held.

The Company established a policy for any director to seek independent professional advice in appropriate circumstances, at the Company's expenses. The director is required to submit a request in writing to the Chairman stating the grounds for seeking the independent professional advice. The Chairman shall either approve the director's request directly, or if thinks fit, convene a board meeting to resolve the matter.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter shall be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at that board meeting.

The Company has arranged appropriate insurance cover in respect of legal actions against its directors. The coverage and the amount insured under such policy are reviewed annually by the Company.

A.2 Chairman and Chief Executive

Principle: There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual.

To ensure a balance of power and authority, the role of Chairman is separate from that of Chief Executive Officer. Mr. Chu Xiaoming acts as the Chairman, and Mr. Guo Chun acts as the Chief Executive Officer.

The respective responsibilities of the Chairman and Chief Executive Officer are clearly established. The Chairman is responsible for providing leadership for and the management of the Board whilst the Chief Executive Officer is responsible for the day-to-day management of the Group's business including the implementation of significant strategies formulated by the Board.

The Chairman ensured that all directors were properly briefed on issues arising at board meetings.

The Chairman is responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.

The Chairman ensured that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner. With the support of the Chief Executive Officer and the Company Secretary, all directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman finally reviews and approves the agenda before the agenda for each board meeting is issued.

The Chairman ensured that the Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures.

Directors are encouraged to express their viewpoints to the Board's affairs and voice their concerns, if any, and are provided sufficient time for discussion of issues in the meetings and the Chairman directs discussions towards the emergence of a consensus view and then sum up discussions so that all directors understand what has been agreed.

During the financial year ended 31 December 2013, the Chairman held a meeting with the non-executive and independent non-executive directors without the presence of the executive directors.

The Chairman ensured that appropriate steps are taken to provide effective communication with shareholders and that their views were communicated to the Board as a whole. The Board has established a shareholders communication policy which is available on the Company's website.

A.3 Board Composition

Principle: The board should have a balance of skills, experience and diversity of perspectives appropriate for the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

During the financial year, the composition of the Board of the Company with their respective names and titles are set out below:

Executive Directors
Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun *(Chief Executive Officer)*
Lee Man Chun Tony

Non-executive Directors
Chang Pen Tsao
Huang Gang *(resigned on 18 February 2013)*
Zhang Lei *(appointed on 18 February 2013)*

Independent Non-executive Directors
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

All directors were expressly identified by categories of executive directors, non-executive directors and independent non-executive directors in all corporate communications that disclose the names of directors of the Company.

An updated list of the directors of the Company identifying their role and function and whether they are independent non-executive directors is maintained on the websites of the Hong Kong Exchanges and Clearing Limited ("HKEx") and the Company.

A.4 Appointments, Re-election and Removal of Directors

Principle: There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.

All directors (including non-executive directors and independent non-executive directors) are appointed for a specific term, subject to retirement by rotation at least once every three years.

According to the Articles of Association of the Company, at each annual general meeting, one-third of the Directors for the time being or, if their number is not three or a multiple of three, then number nearest to but not less than one-third, shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. Further, any director newly appointed shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election.

The Board can appoint new director(s) either to fill a casual vacancy or as an addition to the Board between general meetings. Nomination Committee will make recommendation to the Board on such matter (see A.5 below). The director so appointed, however, shall retire and eligible to be re-elected in the coming general meeting. In addition, shareholder can also propose a candidate for election as director at a general meeting in accordance with the Articles of Association of the Company. The nomination procedures by shareholders are published on the website of the Company. All successful candidates must possess the necessary skills, knowledge and experience which can help the Board to direct the Company's business. In addition, all candidates must be able to meet the criteria stipulated in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rules 3.13 of the Listing Rules. To further enhance accountability, any further appointment of an independent non-executive director who has served the Board for more than 9 years will be subject to a separate resolution to be approved by shareholders.

A.5 Nomination Committee

Principle: In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under A.3 and A.4.

The Nomination Committee of the Company was established in March 2012. The functions of the Nomination Committee are mainly to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspective) of the Board, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of independent non-executive directors, to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors as well as to monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy. Details of terms of reference of the Nomination Committee are published on the websites of HKEx and the Company.

The Nomination Committee comprises one executive director, Mr. Chu Xiaoming, and three independent non-executive directors, namely Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin. Mr. Chu Xiaoming acts as the chairman of the Nomination Committee.

The Nomination Committee held one meeting in the financial year ended 31 December 2013. The following is an attendance record of the meeting held by the Nomination Committee for the financial year:

Name of Committee Members	Number of meeting(s) attended/held
Chu Xiaoming *(Chairman)*	1/1
Ng Wing Hang Patrick	1/1
Kwok Lam Kwong Larry	1/1
Zhuo Fumin	1/1

During the financial year, the Nomination Committee reviewed the suitability of a candidate and made recommendation to the Board for appointing him as a non-executive director, reviewed the structure, size and composition of the Board, assessed the independence of each independent non-executive director, and made recommendation of re-election of retiring directors at the annual general meeting to the Board.

The Nomination Committee was provided with sufficient resources to perform its duties and it can seek independent professional advice at the Company's expense if necessary.

The Board has adopted a Board Diversity Policy in August 2013 which sets out the approach to achieve diversity on the Board. When determining the composition of the Board, it will take into consideration a number of factors, including but not limited to, skills, knowledge, professional experience, gender, age, cultural and educational background, and other qualities of Directors. All Board appointments will be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board. The Nomination Committee will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

A.6 Responsibilities of Directors

Principle: Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.

Every newly appointed director of the Company shall receive guidance materials from the Company Secretary upon his appointment so as to enable the director having a proper understanding of the Company's operations and business and to ensure him to be fully aware of his responsibilities under statue and common law, the Listing Rules, applicable legal and other regulatory requirements and the Company's business and governance policies. A director can also request the Company Secretary to arrange him to attend any relevant course and seminar.

The functions of non-executive directors have included the functions as specified in Code Provision A.6.2(a) to (d).

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors or relevant employees as defined in the Model Code. The Company made specific enquiry of all directors. According to their replies, all the directors complied with the requirements set out in the Model Code during the financial year ended 31 December 2013. The Company also complied with the other requirements stipulated in the Model Code.

Directors confirmed that they have complied with the Code Provision A.6.5 on directors' training. During the year, all directors have participated in continuous professional development by the following means to develop and refresh their knowledge and skills and provided a record of training to the Company.

Name of Directors	**Training Received** *(Note)*
Executive Directors	
Chu Xiaoming *(Chairman)*	A, B, C
Lu Wenqing	A, B, C
Guo Chun *(Chief Executive Officer)*	A, B, C
Lee Man Chun Tony	A, B, E
Non-Executive Directors	
Chang Pen Tsao	A, C, D, E
Huang Gang *(resigned on 18 February 2013)*	–
Zhang Lei *(appointed on 18 February 2013)*	A
Independent Non-Executive Directors	
Ng Wing Hang Patrick	A, C
Kwok Lam Kwong Larry	A, E
Zhuo Fumin	A, C, D

Note:

A Attending classes and/or seminars and/or forums
B Attending in-house briefings
C Giving talks at classes and/or seminars and/or forums
D Attending training relevant to the Company's business conducted by lawyers
E Reading materials relevant to the Company's business or to the directors' duties and responsibilities

Each director is aware that he should give sufficient time and attention to the affairs of the Company. Upon reviewing (i) the annual confirmation of time commitment given by each director as well as the directorship and major committments of each director held in public companies or organisations; and (ii) the attendance rate of each director on board meetings and committee meetings, it is satisfied that all directors have spent sufficient time in performing their responsibilities during the year.

A.7 Supply of and Access to Information

Principle: Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers were sent in full to all directors in a timely manner and at least 3 days before the intended date of a board meeting and board committee meeting.

As mentioned in D.1 below, there are matters reserved to be approved by the Board. Management is aware of the obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and individual directors have separate and independent access to the Company's senior management.

All directors are entitled to have access to board papers, minutes and related materials.

B.1 The Level and Make-up of Remuneration and Disclosure

Principle: An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the issuer successfully without paying more than necessary. No director should be involved in deciding his own remuneration.

The Remuneration Committee of the Company was established in April 2005. The functions of the Remuneration Committee are mainly to review and make recommendations to the Board on the Company's policy and structure for all remunerations of directors and senior management. The terms of reference of the Remuneration Committee include the specific duties set out in Code Provision B.1.2(a) to (h), with appropriate modifications where necessary. The Remuneration Committee is delegated with responsibility to determine the remuneration packages of individual executive directors and senior management. Details of terms of reference of the Remuneration Committee are published on the HKEx's and Company's websites.

The Remuneration Committee presently consists of three independent non-executive directors, namely, Mr. Kwok Lam Kwong Larry, Mr. Ng Wing Hang Patrick and Mr. Zhuo Fumin. Mr. Kwok Lam Kwong Larry acts as the chairman of the Remuneration Committee.

The Remuneration Committee held two meetings in the financial year ended 31 December 2013. The following is an attendance record of the meeting held by the Remuneration Committee for the financial year:

Name of Committee Members	**Number of meeting(s) attended/held**
Kwok Lam Kwong Larry *(Chairman)*	2/2
Ng Wing Hang Patrick	2/2
Zhuo Fumin	1/2

During the financial year, the Remuneration Committee reviewed and considered the remuneration policy, packages and fringe benefits of the directors and senior management of the Group. In addition, the Remuneration Committee also reviewed the remuneration policies of the Group and compared with companies of similar scale as benchmark. Furthermore, the Committee made recommendations to the Board for the reward system of the Group, the salary increment of employees in 2013 and the reward of the Chief Executive Officer for 2013. None of the directors of the Company participated in the determination of the remuneration of their own. The Remuneration Committee was satisfied with the current remuneration policy and packages of the Group.

The Remuneration Committee shall consult the Chairman and/or Chief Executive Officer about their remuneration proposals for the directors. The Remuneration Committee shall have access to independent professional advice if necessary.

The Remuneration Committee was provided with sufficient resources to perform its duties.

For the financial year ended 31 December 2013, the remuneration of the members of the senior management by band is set out below:

Remuneration bands	**Number of senior management**
Nil – HK$2,000,000	3
HK$2,000,001 – HK$4,000,000	2

Details of the directors' remuneration and five highest paid employees for the financial year ended 31 December 2013 as required to be disclosed pursuant to Appendix 16 of the Listing Rules are provided in notes to the financial statements.

C.1 Financial Reporting

Principle: The board should present a balanced, clear and comprehensible assessment of the issuer's performance, position and prospects.

Management provided sufficient explanation and information to the Board to enable it to make an informed assessment of financial and other information put before it for approval.

Management provided all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

Directors have acknowledged their responsibility for preparing accounts of the Company.

A statement by the external auditors about their reporting responsibilities is included in the Independent Auditors' Report.

For the basis on which the Company generates or preserves value over the longer term and the strategy for delivery its objectives, please refer to Chairman's Statement and Management Discussion & Analysis respectively.

The Board presented a balanced, clear and understandable assessment of the Company in annual and interim reports and other financial disclosures required by the Listing Rules, reports to regulators and information disclosed under statutory requirements.

C.2 Internal Controls

Principle: The board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets.

The Internal Audit Department is charged with the responsibilities to evaluate whether there are sound and effective internal controls in place to safeguard the shareholders' investment and the Company's assets. Such evaluation covers all material controls, including financial, operational and compliance controls and risk management functions. Internal Audit Department reported twice during 2013 on significant findings on internal controls to the Audit Committee, which in turn reported to the Board accordingly. The Board found that as at the publication of this report and financial statements, the internal controls were sound and effective which safeguard the shareholders' and customers' interests and the assets of the Group.

The Board also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

C.3 Audit Committee

Principle: The board should establish formal and transparent arrangements to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the issuer's external auditors. The audit committee established under the Listing Rules should have clear terms of reference.

The Audit Committee was set up in 1999. The roles of the Audit Committee are mainly to ensure integrity of financial statements, to oversee financial reporting system and internal control procedures as well as to provide advice and recommendations to the Board. The details of the terms of reference of the Audit Committee are published on the websites of the HKEx and the Company.

The Audit Committee is currently composed of three independent non-executive directors, namely, Mr. Ng Wing Hang Patrick, Mr. Kwok Lam Kwong Larry and Mr. Zhuo Fumin. Mr. Ng Wing Hang Patrick acts as the chairman of the Audit Committee.

The Audit Committee held two meetings in the financial year ended 31 December 2013. The following is an attendance record of the meeting held by the Audit Committee for the financial year:

Name of Committee Members	**Number of meeting(s) attended/held**
Ng Wing Hang Patrick *(Chairman)*	2/2
Kwok Lam Kwong Larry	2/2
Zhuo Fumin	1/2

A summary of the work performed by the Audit Committee during the financial year is listed below:

(1) reviewing the financial statements and the independent auditors' report before their submission to the Board;

(2) reviewing the results of the audit on the Company's system of internal controls;

(3) reviewing the results of the audit on the connected or continuing connected parties transactions;

(4) nominating external auditors for re-appointments and proposing the remuneration and terms of engagement of external auditors; and

(5) performing corporate governance functions delegated by the Board.

The work and findings of the Audit Committee were reported to the Board. During the year, no issues brought to the attention of management and the Board were of sufficient importance to require disclosure in the Annual Report.

The Board agreed with the Audit Committee's proposal for the re-appointment of Messrs. Ernst & Young as the Company's external auditors for 2014. The recommendation will be put forward for the approval of shareholders at the forthcoming annual general meeting.

Full minutes of Audit Committee meetings are kept by the Company Secretary. Draft and final versions of minutes of the meetings were sent to all committee members for their comment and records, normally within one month after the meeting.

No member of the Company's Audit Committee was a former partner of the Company's existing external auditors.

During the financial year ended 31 December 2013, the remuneration paid to the external auditors, Messrs. Ernst & Young, was as below:

Nature of services	*HK$'000*
Audit services with recoverable expenses	1,980
Tax advisory services	175

The Audit Committee was provided with sufficient resources, including the advice of external auditors and Internal Audit Department, to perform its duties.

In March 2012, the Audit Committee established an employee whistleblowing procedures on financial reporting improprieties of the Group. Under the employee whistleblowing procedures, the employees can report any concerns relating to the possible financial reporting improprieties to the chairman of Audit Committee.

D.1 Management Functions

Principle: An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf.

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Company whilst managing the Company's day-to-day business is the responsibility of the management.

When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the management's powers, in particular, where management shall report back and obtain prior Board approval before making decisions or entering into any commitments on the Company's behalf.

Directors are clearly understood delegation arrangements in place. The Company has issued formal letter of appointment to each director (including non-executive director and independent non-executive director) setting out the key terms and conditions of the appointment.

Matters reserved to be approved by the Board include:

(1) Appointment of directors;

(2) Business plans of the Company;

(3) Proposal for selection of external auditors;

(4) Financial statements and budgets;

(5) Substantial investments in assets other than those arising in the ordinary course of Company's businesses; and

(6) Formation of board committees.

D.2 Board Committees

Principle: Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

Where board committees are established to deal with matters, the Board shall give them sufficiently clear terms of reference to enable them to perform their functions properly.

Apart from the Audit Committee (particulars are disclosed under C.3), Remuneration Committee (particulars are disclosed under B.1) and Nomination Committee (particulars are disclosed under A.5), the Board also established an Executive Committee and a Management Committee with specific terms of reference. The Executive Committee consists of all the executive directors and is responsible for formulating and reviewing the Company's important strategies on business and operations. The Management Committee consists of the Chief Executive Officer, deputy general manager(s), executive directors and chief operating officer. The Management Committee usually meets weekly for making policy and discussing issues relating to the Company's day-to-day management and business.

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee require such committees to report back to the Board on their decisions and recommendations. Material matters will be reported to the Board by the other board committees according to their respective terms of reference.

D.3 Corporate Governance Functions

The Board has delegated the responsibility for performing corporate governance functions to the Audit Committee, with the functions as specified in Code Provision D.3.1(a) to (e).

E.1 Effective Communication

Principle: The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation.

At the annual general meeting and extraordinary general meeting held in 2013, a separate resolution was proposed by the Chairman for each substantially separate issue.

The chairman of the Board and the chairman of the Audit Committee, Remuneration Committee and Nomination Committee respectively attended the annual general meeting and extraordinary general meeting held in 2013 to answer questions of shareholders.

The external auditor, Messrs. Ernst & Young, attended the annual general meeting held in 2013 to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditing independence.

The Company arranges for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.

In March 2012, the Board has established a shareholders communication policy and was published on the Company's website. The policy is subject to review on a regular basis to ensure its effectiveness.

Pursuant to the disclosure requirements under the Listing Rules and the Code, the Company is required to disclose the following information on shareholders' rights:

Set out below are procedures by which shareholders of the Company may (a) convene an extraordinary general meeting; (b) put enquiries to the Board; (c) put forward proposals at shareholders' meetings; and (d) propose a person for election as a director. These procedures are generally governed by the Articles of Association and applicable laws, rules and regulations, which prevail over what is stated below in case of inconsistencies.

(a) How shareholders can convene an extraordinary general meeting

Pursuant to Article 67 of the Articles of Association of the Company, extraordinary general meetings shall be convened as provided by the Companies Ordinance.

Pursuant to Section 113 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting. The objects of the meeting must be stated in the related requisition deposited at the registered office of the Company.

(b) *The procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed*

Shareholders and other stakeholders may send their enquiries and concerns to the Board by addressing them to Company Secretary, whose contacts are listed below:

Registered office:	Level 19, 28 Hennessy Road, Hong Kong
Email:	co.sec@sywg.com.hk

(c) *The procedures and sufficient contact details for putting forward proposals at shareholders' meetings*

Any shareholder(s) satisfying the following conditions can request in writing to move a resolution at the general meeting:

(i) shareholder(s) holding not less than one-fortieth of the total voting rights of all shareholders having the right to vote at the general meeting; or

(ii) not less than fifty shareholders holding shares in the Company on which there has been paid up an average sum of not less than HK$2,000 per shareholder.

The written request must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution.

The proposed resolution cannot be moved at the general meeting unless the written request is signed by the requisitionist(s) and deposited at the registered office of the Company (Level 19, 28 Hennessy Road, Hong Kong) together with a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution, not less than 6 weeks before the meeting in the case of a requisition requiring notice of a resolution and not less than 1 week of the meeting in the case of any other requisition.

(d) *The procedures for shareholders to propose a person for election as a director*

Pursuant to Article 108 of the Articles of Association of the Company, if a shareholder wish to propose a person other than a retiring director for election as a director at a general meeting, notice in writing of the intention to propose that person for election as a director and notice in writing by that person of his willingness to be elected shall have been given to the Company during a period of not less than seven days commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date appointed for the meeting.

The Memorandum and Articles of Association of the Company is available on the HKEx's and Company's websites. During the year, there were no significant changes in the Company's constitutional documents.

E.2 Voting by Poll

Principle: The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.

Since the amendment of the Listing Rules with effect from 1 January 2009, all resolutions set out in the notice of general meetings of the Company have been conducted by poll.

To ensure that shareholders are familiar with the poll procedures at the annual general meeting and extraordinary general meeting held in 2013, the Chairman explained the detailed procedures of poll voting.

The poll results of general meetings were published on the website of HKEx at http://www.hkexnews.hk and the Company's website at http://www.sywg.com.hk.

F. Company Secretary

Principle: The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.

Mr. Wong Che Keung Leslie is the Chief Operating Officer and Company Secretary of the Group and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and/or the Chief Executive Officer.

The appointment and removal of the Company Secretary is subject to the Board approval in accordance with the Articles of Association of the Company. Directors have access to the advice and services of the Company Secretary to ensure that board procedures, and all applicable rules and regulations, are followed.

Mr. Wong confirmed that he has taken no less than 15 hours of relevant professional training for the year ended 31 December 2013 in compliance with Rule 3.29 of the Listing Rules. The biographical details of Mr. Wong are set out on page 33 under the section headed Biographical Details of the Directors of the Company and the Senior Management of the Group.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the audited financial statements.

The directors recommend the payment of a final dividend of HK4 cents per ordinary share in respect of the year to shareholders on the register of members on 24 April 2014. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$	HK$	HK$	HK$	HK$
RESULTS					
REVENUE	**354,045,457**	293,991,742	383,312,131	513,699,858	355,242,738
Commission expenses	**(70,396,887)**	(48,569,149)	(64,701,935)	(94,535,231)	(91,920,767)
Employee benefit expenses	**(114,263,402)**	(111,133,312)	(117,497,668)	(118,437,426)	(85,979,793)
Depreciation expenses	**(9,065,517)**	(9,361,278)	(8,802,207)	(4,174,939)	(6,194,059)
Interest expenses for financial service operations	**(10,531,430)**	(441,857)	(1,507,632)	(1,149,424)	(352,328)
Fair value gains on available-for-sale investments	**–**	–	–	–	8,874,201
Fair value gain on an unlisted financial instrument at fair value through profit or loss	**–**	–	–	–	825,270
Impairment of an available-for-sale investment	**(2,622,655)**	(2,330,221)	–	(1,641,540)	–
Other gains	**3,288,036**	3,682,510	980,464	1,481,256	1,319,074
Other expenses, net	**(98,024,930)**	(94,028,435)	(113,974,036)	(92,682,335)	(95,964,317)
PROFIT BEFORE TAX	**52,428,672**	31,810,000	77,809,117	202,560,219	85,850,019
Income tax expense	**(5,185,137)**	(1,648,515)	(3,801,137)	(11,597,862)	(11,720,185)
PROFIT FOR THE YEAR	**47,243,535**	30,161,485	74,007,980	190,962,357	74,129,834
Attributable to:					
Owners of the Company	**47,238,994**	30,151,847	74,003,499	190,976,711	74,875,249
Non-controlling interests	**4,541**	9,638	4,481	(14,354)	(745,415)
	47,243,535	30,161,485	74,007,980	190,962,357	74,129,834

FIVE YEAR FINANCIAL SUMMARY *(Cont'd)*

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$	HK$	HK$	HK$	HK$
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**5,065,224,288**	4,578,047,765	3,373,060,361	3,652,780,863	3,743,387,015
TOTAL LIABILITIES	**(3,819,111,415)**	(3,373,288,600)	(2,186,333,956)	(2,482,819,829)	(2,728,327,172)
NON-CONTROLLING INTERESTS	**(2,638,062)**	(2,633,521)	(2,623,883)	(2,619,402)	(2,633,756)
	1,243,474,811	1,202,125,644	1,184,102,522	1,167,341,632	1,012,426,087

The above summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

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

DISTRIBUTABLE RESERVES

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$20,654,205 and HK$21,230,365 has been proposed as final dividend for 2013. One of the subsidiaries has declared dividend to the Company on 10 February 2014 and the Company now has sufficient distributable reserve for the proposed final dividend for 2013. In addition, the Company's share premium account, in the amount of HK$314,739,683, may be distributed in the form of fully paid bonus shares.

CHARITABLE CONTRIBUTIONS

No charitable contribution was made by the Group during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

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

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Chu Xiaoming *(Chairman)*
Lu Wenqing
Guo Chun *(Chief Executive Officer)*
Lee Man Chun Tony

Non-executive directors:
Chang Pen Tsao
Huang Gang *(resigned on 18 February 2013)*
Zhang Lei *(appointed on 18 February 2013)*

Independent non-executive directors:
Ng Wing Hang Patrick
Kwok Lam Kwong Larry
Zhuo Fumin

In accordance with Article 104(A) of the Company's Articles of Association and in compliance with Code Provision A.4.3 of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Messrs. Chu Xiaoming, Zhuo Fumin, Ng Wing Hang Patrick and Kwok Lam Kwong Larry will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence from Messrs. Ng Wing Hang Patrick, Kwok Lam Kwong Larry and Zhuo Fumin and as at the date of this report, still considers them to be independent.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP

Executive directors

Chu Xiaoming – Chairman

Mr. Chu Xiaoming, aged 51, was appointed as an Executive Director and the Chairman of the Company on 20 December 2010. Mr. Chu is also a Director, the Vice Chairman of the Board and President of Shenyin & Wanguo Securities Co., Ltd. ("SWSC"). Prior to joining SWSC, he was the General Manager of Zhonghai Trust Co., Ltd. Mr. Chu graduated from The University of Hong Kong with a master degree in Business Administration (International) in 2003 and obtained the qualification as Senior Economist issued by Industrial and Commercial Bank of China in 1994.

Lu Wenqing

Mr. Lu Wenqing, aged 55, was appointed as a Non-executive Director of the Company in August 1996 and was re-designated as an Executive Director of the Company in September 2004. Mr. Lu is also the Vice President of Shenyin & Wanguo Securities Co., Ltd. He graduated from Shanghai University of Finance and Economics. He also holds a Master's Degree in Business Administration from The Asia (Macau) International Open University and W.P. Carey School of Business at Arizona State University. Prior to joining the former Shanghai Shenyin Securities Co., Ltd., Mr. Lu served as a senior officer in Shanghai Trust & Investment Corporation of the Industrial and Commercial Bank of China and as an attaché of the Chinese Embassy in Gabon.

Guo Chun – Chief Executive Officer

Mr. Guo Chun, aged 49, was appointed as an Executive Director of the Company in May 2000 and as Chief Executive Officer of the Company on 9 March 2012. Mr. Guo began his career with the Industrial and Commercial Bank of China, Shanghai Branch in 1983. Other than the banking business, he has been working in the securities industry of the People's Republic of China (the "PRC") since 1987 and has 26 years' extensive experience in stockbroking and investment banking in the PRC. In 1990, Mr. Guo joined the former Shanghai Shenyin Securities Co., Ltd. and served as a regional superintendent in Shanghai. After the merger of Shanghai Shenyin Securities Co., Ltd. and Shanghai International Securities Co., Ltd., he was appointed as the Deputy Managing Director of Shenyin Wanguo (H.K.) Holdings Limited on secondment to Hong Kong in early 1997 and as the Managing Director of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. from May 2008 to March 2012. Mr. Guo holds a Master's Degree in Business Administration from Murdoch University, Perth, Australia and an Executive Master of Business Administration degree from Arizona State University, USA.

Lee Man Chun Tony

Mr. Lee Man Chun Tony, aged 60, was appointed as an Executive Director of the Company in June 2000 and as Chief Executive Officer of the Company from July 2000 to 9 March 2012. Mr. Lee is an Independent Non-executive Director of China Chengtong Development Group Limited, which is listed on the Hong Kong Stock Exchange. He is an Associate of the Hong Kong Institute of Certified Public Accountants and has more than 30 years' experience in accounting, finance and banking. Mr. Lee held senior positions with Standard Chartered Bank and Sanwa International Finance Ltd. before he joined the Group in 1995.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Non-executive directors

Chang Pen Tsao

Mr. Chang Pen Tsao, aged 74, is a Non-executive Director of the Company. Mr. Chang is the Founder of Taiwan International Securities Group, The Business Development Foundation of The Chinese Straits, Unitech Printed Circuit Board Corp., Ideal Bike Corp. and Fulltech Fiber Glass Corp. Unitech Printed Circuit Board Corp., Ideal Bike Corp. and Fulltech Fiber Glass Corp. are listed on the Taiwan Stock Exchange. He served as a Senator in Taiwan for 9 years and was the Chairman of Kwang Hua Securities Investment & Trust Co., Ltd. Mr. Chang has more than 40 years' experience in legal practice as a lawyer, prosecutor and district judge, as well as in business management, and has more than 20 years' experience in securities investment. He received his LL.B. Degree from Chung Hsin University, Taiwan in 1967.

Zhang Lei

Mr. Zhang Lei, aged 45, is a Non-executive Director of the Company. He graduated from Shanghai Jiaotong University as doctor of philosophy of Financial Management Engineering in 1997. Mr. Zhang has many years of experience in the securities industry. He has previously worked for Shenyin & Wanguo Securities Co., Ltd. as Deputy Manager of Client Asset Management Division and served as Member of the Board of Supervisor of Haitong Securities Company Limited from June 2007 to May 2011. Mr. Zhang joined Shanghai Industrial Investment (Holdings) Company Limited in July 2006, and currently serves as its Deputy General Manager of Finance & Planning Department. He also presently holds directorships in certain wholly owned subsidiaries of Shanghai Industrial Investment (Holdings) Company Limited.

Independent non-executive directors

Ng Wing Hang Patrick

Mr. Ng Wing Hang Patrick, aged 61, is an Independent Non-executive Director of the Company. Mr. Ng is a practising Certified Public Accountant in Hong Kong and is the Managing Director of Pan China (H.K.) CPA Limited, a certified public accountants firm in Hong Kong. He also serves as an Independent Non-executive Director of Far East Hotels and Entertainment Limited, which is listed on the Hong Kong Stock Exchange. Mr. Ng has been an Independent Non-executive Director of Rosan Resources Holdings Limited and Ming Kei Holdings Limited, which are listed on the Hong Kong Stock Exchange, until he resigned on 28 April 2010 and 26 June 2012 respectively.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Independent non-executive directors *(Cont'd)*

Kwok Lam Kwong Larry, B.B.S., J.P.

Mr. Kwok Lam Kwong Larry, aged 58, is an Independent Non-executive Director of the Company. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a Chartered Accountant in England and Wales and a CPA in Hong Kong and Australia. Mr. Kwok graduated from the University of Sydney, Australia with Bachelor's Degrees in Economics and Laws as well as a Master's Degree in Laws. He also holds a diploma in the Advanced Management Program of the Harvard Business School. Mr. Kwok is currently Chairman of the Transport Advisory Committee and a member of the Hospital Governing Committee of Prince of Wales Hospital. Mr. Kwok is currently a Non-executive Director of First Shanghai Investments Limited and also an Independent Non-executive Director of Café de Coral Holdings Limited, Pacific Andes International Holdings Limited and Starlite Holdings Limited, all of which are listed on the Hong Kong Stock Exchange. He has been an Independent Non-executive Director of Carry Wealth Holdings Limited, which is listed on the Hong Kong Stock Exchange, until he resigned on 9 September 2011.

Zhuo Fumin

Mr. Zhuo Fumin, aged 62, is an Independent Non-executive Director of the Company. Mr. Zhuo graduated from Shanghai Jiaotong University's Electrical Engineering School and holds a Master's Degree in Economics conferred by Fudan University. He has more than 40 years of experience in running joint stock companies and in corporate management and has extensive capital market experience. Mr. Zhuo currently serves as a Partner in GGV Capital. He also serves as an Independent Director of Daqo New Energy Corp., which is listed on the New York Stock Exchange, an Independent Director of China Enterprise Company Limited, which is listed on the Shanghai Stock Exchange, a Non-executive Director of Besunyun Holdings Company Limited and an Independent Non-executive Director of SRE Group Limited, which are listed on the Hong Kong Stock Exchange. Mr. Zhuo has been a Director of Grandhope Biotech Co., Ltd., which is listed on the Shenzhen Stock Exchange, until he resigned on 5 August 2013, and an Independent Director of Focus Media Holding Ltd., which was previously listed on the NASDAQ Stock Market and delisted in May 2013.

Senior management

Bai Youge – Deputy General Manager

Mr. Bai Youge, aged 51, was appointed as Deputy General Manager of the Group in 2004. Mr. Bai used to be a non-practising member of the Chinese Institute of Certified Public Accountants and has previously worked for Arthur Andersen & Co. He joined the former Shanghai International Securities Co., Ltd. in 1994 as the Deputy General Manager of the Investment Bank Division. After the merger of Shanghai International Securities Co., Ltd. and Shanghai Shenyin Securities Co., Ltd. in 1996, Mr. Bai was appointed as the Deputy General Manager of the International Business and Brokerage Departments of Shenyin & Wanguo Securities Co., Ltd. respectively, and has over 10 years' experience in the securities field of the PRC. He graduated from Sichuan University in Mathematics and holds a Master's Degree in Economics from the Shanghai Academy of Social Sciences and a Master's Degree in Finance and Securities from the University of Reading in the United Kingdom.

BIOGRAPHICAL DETAILS OF THE DIRECTORS OF THE COMPANY AND THE SENIOR MANAGEMENT OF THE GROUP *(Cont'd)*

Senior management *(Cont'd)*

Fu Xingyi – Deputy General Manager

Mr. Fu Xingyi, aged 51, has been appointed as the Deputy General Manager of the Group since November 2007. Mr. Fu was appointed as the Assistant to General Manager of the Group in 2004. He previously worked for the International Business Division, Investment Bank Division and Merger & Acquisition Division of Shenyin & Wanguo Securities Co., Ltd. and has more than 10 years' experience in corporate finance. Mr. Fu holds a Bachelor's Degree from Fudan University in Shanghai.

Yang Ming – Deputy General Manager

Mr. Yang Ming, aged 39, was appointed as the Assistant to General Manager of the International Business Division of Shenyin & Wanguo Securities Co., Ltd. in May 2013 and as Deputy General Manager of the Group in July 2013. Mr. Yang previously worked for Shanghai Shenyin Wanguo Research & Consulting Limited as Analyst and Manager of Overseas Development Center, and has more than 10 years' experience in securities research. He graduated from the University of Limburg in Belgium as a Master Graduate Student.

Wong Che Keung Leslie – Chief Operating Officer and Company Secretary

Mr. Wong Che Keung Leslie, aged 49, is the Chief Operating Officer and Company Secretary of the Group. Besides company secretarial duties, Mr. Wong is also responsible for overseeing accounting, securities settlement, credit, treasury and information technology activities as well as legal matters of the Group. Mr. Wong once served as the Head of Compliance of the Group and subsequently, a Director of Shenyin Wanguo Securities (H.K.) Limited and the Finance Director before succeeding to the current position of the Chief Operating Officer of the Group in 2010. Mr. Wong was appointed as the Company Secretary of the Group in December 2004. Prior to joining the Group in 1996, he has worked in the Securities and Futures Commission for 7 years and in the stockbroking and treasury field for a further 2 years. Mr. Wong is a Fellow of the Hong Kong Institute of Certified Public Accountants, and obtained his Bachelor's Degree in Economics at the University of Hong Kong and a Master's Degree in Business Administration at the Chinese University of Hong Kong. He was appointed as a member of the Cash Market Consultative Panel of Hong Kong Exchanges and Clearing Limited on 1 June 2012.

Ting Kay Loong Willis – Head of Corporate Finance

Mr. Ting Kay Loong Willis, aged 52, is the Head of Corporate Finance of the Group. Mr. Ting has over 25 years of experience in the securities industry. Prior to joining the Group in 2006, he worked for several international financial institutions and listed companies in Hong Kong, responsible for capital market activities and equity investments. Mr. Ting holds a Bachelor of Economics Degree from Macquarie University, Australia and is a fellow member of the Australian Society of Certified Public Accountants.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of the Company with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries and fellow subsidiaries was a party during the year.

DIRECTOR'S INTEREST IN SHARES

As at 31 December 2013, none of the directors and the chief executive of the Company was taken to be interested or deemed to have any interest or short position in the shares, underlying shares or 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Appendix 10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2013, the interests of substantial shareholders, other than directors or chief executive of the Company, in the issued share capital of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the ordinary shares of the Company

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Shenyin Wanguo Holdings (B.V.I.) Limited ("SWHBVI")	Directly beneficially owned	268,334,875*	50.56
Venture-Some Investments Limited ("VSI")	Through controlled corporation	268,334,875*	50.56
Shenyin Wanguo (H.K.) Holdings Limited ("SWHKH")	Through controlled corporation Directly beneficially owned	268,334,875* 2,045,000*	50.56 0.38
Shenyin & Wanguo Securities Co., Ltd. ("SWSC")	Through controlled corporation	270,379,875*	50.94

* SWHBVI was held directly as to 50.51% by VSI. VSI was wholly-owned by SWHKH. SWHKH was wholly-owned by SWSC. Hence, VSI, SWHKH and SWSC were deemed to be interested in the same parcel of 268,334,875 shares held by SWHBVI under the SFO. SWHKH also held directly 2,045,000 shares of the Company. Hence, SWSC was also deemed to be interested in the same parcel of 2,045,000 shares held by SWHKH.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES *(Cont'd)*

Long positions in the ordinary shares of the Company (Cont'd)

Save as disclosed above, as at 31 December 2013, the Company had not been notified of any person who had interests or short positions in the shares or underlying shares of the Company, which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The connected transactions and continuing connected transactions of the Company and the Group during the year are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules in note 30 to the financial statements.

The Independent Non-executive Directors of the Company have reviewed the continuing connected transactions as set out in note 30 to the financial statements and confirmed that these transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to/from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTOR'S INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the following directors (the "Relevant Directors") are considered to have interests in businesses which compete or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules:

Mr. Chu Xiaoming (an Executive Director and the Chairman of the Company) is a director, the vice chairman of the board and president of SWSC.

Mr. Lu Wenqing (an Executive Director of the Company) is a vice president of SWSC.

Mr. Zhang Lei (a Non-executive Director of the Company) is a director of SIIC Asset Management Company Limited which is involved in the provision of asset management services.

The Board of the Company is independent from the board of directors of the aforesaid companies/entities and none of the Relevant Directors can personally control the Board. Moreover, any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the Articles of Associations, the Group is capable of carrying on its businesses independent of, and at arm's length from, the businesses of such companies/entitles.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chu Xiaoming
Chairman

Hong Kong
10 February 2014

EY 安永

To the shareholders of Shenyin Wanguo (H.K.) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Shenyin Wanguo (H.K.) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 39 to 104, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, 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.

Auditors' responsibility

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

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

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

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

INDEPENDENT AUDITORS' REPORT *(Cont'd)*

To the shareholders of Shenyin Wanguo (H.K.) Limited *(Cont'd)*
(Incorporated in Hong Kong with limited liability)

Opinion

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

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
10 February 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2013

	Notes	2013 HK$	2012 HK$
REVENUE	5	**354,045,457**	293,991,742
Commission expenses		**(70,396,887)**	(48,569,149)
Employee benefit expenses	6	**(114,263,402)**	(111,133,312)
Depreciation expenses	13	**(9,065,517)**	(9,361,278)
Interest expenses for financial service operations	6	**(10,531,430)**	(441,857)
Impairment loss of an available-for-sale investment	6, 16	**(2,622,655)**	(2,330,221)
Other gains	5	**3,288,036**	3,682,510
Other expenses, net		**(98,024,930)**	(94,028,435)
PROFIT BEFORE TAX	6	**52,428,672**	31,810,000
Income tax expense	9	**(5,185,137)**	(1,648,515)
PROFIT FOR THE YEAR		**47,243,535**	30,161,485
Attributable to:			
Owners of the Company	10	**47,238,994**	30,151,847
Non-controlling interests		**4,541**	9,638
		47,243,535	30,161,485
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK8.90 cents**	HK5.68 cents

Details of the dividend proposed for the year are disclosed in note 11 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

	Notes	2013 HK$	2012 HK$
PROFIT FOR THE YEAR		**47,243,535**	30,161,485
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods			
Available-for-sale investments:			
Changes in fair value		**368,832**	546,897
Reclassification adjustments for (gain)/loss included in the consolidated statement of profit or loss			
– gain on disposal		**(919,927)**	(144,587)
– impairment loss	*6, 16*	**2,622,655**	2,330,221
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,071,560**	2,732,531
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,315,095**	32,894,016
Attributable to:			
Owners of the Company	*10*	**49,310,554**	32,884,378
Non-controlling interests		**4,541**	9,638
		49,315,095	32,894,016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$	2012 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**10,808,701**	17,047,853
Stock and Futures Exchange trading rights	*14*	**4,211,831**	4,211,831
Other assets		**30,757,080**	16,282,236
Available-for-sale investments	*16*	**9,924,169**	12,624,430
Deferred tax assets	*17*	**222,617**	877,503
Total non-current assets		**55,924,398**	51,043,853
CURRENT ASSETS			
Investments at fair value through profit or loss	*16*	**138,320,586**	360,020,854
Accounts receivable	*18*	**546,473,671**	478,246,702
Loans and advances	*19*	**1,518,457,087**	1,138,486,758
Prepayments, deposits and other receivables	*20*	**17,180,343**	15,886,779
Tax recoverable		**386,641**	5,225,274
Bank balances held on behalf of customers	*21*	**2,510,755,892**	2,335,223,269
Cash and cash equivalents	*22*	**277,725,670**	193,914,276
Total current assets		**5,009,299,890**	4,527,003,912
CURRENT LIABILITIES			
Accounts payable	*23*	**2,943,688,665**	2,692,540,606
Other payables and accruals	*24*	**62,718,357**	63,648,116
Interest-bearing bank borrowings	*25*	**809,380,735**	614,697,682
Tax payable		**2,817,824**	1,819,397
Total current liabilities		**3,818,605,581**	3,372,705,801
NET CURRENT ASSETS		**1,190,694,309**	1,154,298,111
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,246,618,707**	1,205,341,964
NON-CURRENT LIABILITY			
Deferred tax liability	*17*	**505,834**	582,799
Net assets		**1,246,112,873**	1,204,759,165

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Cont'd)*

31 December 2013

	Notes	2013 HK$	2012 HK$
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*26*	**265,379,563**	265,379,563
Reserves	*27(a)*	**956,864,883**	928,784,694
Proposed final dividend	*11*	**21,230,365**	7,961,387
		1,243,474,811	1,202,125,644
Non-controlling interests		**2,638,062**	2,633,521
Total equity		**1,246,112,873**	1,204,759,165

Chu Xiaoming
Director

Guo Chun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

		Attributable to owners of the Company									
	Notes	Issued capital HK$	Share premium account HK$	Capital reserve HK$	Available-for-sale investment revaluation reserve HK$	General reserve HK$	Retained profits HK$	Proposed final dividend HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 January 2012		265,379,563	314,739,683	15,043	(2,323,165)	138,611	591,291,531	14,861,256	1,184,102,522	2,623,883	1,186,726,405
Profit for the year		–	–	–	–	–	30,151,847	–	30,151,847	9,638	30,161,485
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	*16*	–	–	–	2,732,531	–	–	–	2,732,531	–	2,732,531
Total comprehensive income for the year		–	–	–	2,732,531	–	30,151,847	–	32,884,378	9,638	32,894,016
Final 2011 dividend declared and paid		–	–	–	–	–	–	(14,861,256)	(14,861,256)	–	(14,861,256)
Proposed final 2012 dividend	*11*	–	–	–	–	–	(7,961,387)	7,961,387	–	–	–
At 31 December 2012 and 1 January 2013		265,379,563	314,739,683*	15,043*	409,366*	138,611*	613,481,991*	7,961,387	1,202,125,644	2,633,521	1,204,759,165
Profit for the year		–	–	–	–	–	47,238,994	–	47,238,994	4,541	47,243,535
Other comprehensive income for the year:											
Change in fair value of available-for-sale investments, net of tax	*16*	–	–	–	2,071,560	–	–	–	2,071,560	–	2,071,560
Total comprehensive income for the year		–	–	–	2,071,560	–	47,238,994	–	49,310,554	4,541	49,315,095
Final 2012 dividend declared and paid		–	–	–	–	–	–	(7,961,387)	(7,961,387)	–	(7,961,387)
Proposed final 2013 dividend	*11*	–	–	–	–	–	(21,230,365)	21,230,365	–	–	–
At 31 December 2013		265,379,563	314,739,683*	15,043*	2,480,926*	138,611*	639,490,620*	21,230,365	1,243,474,811	2,638,062	1,246,112,873

* These reserve accounts comprise the consolidated reserves of HK$956,864,883 (2012: HK$928,784,694) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Notes	2013 HK$	2012 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**52,428,672**	31,810,000
Adjustments for:			
Bank interest income	*5*	**(18,961,555)**	(25,113,797)
Dividend income	*5*	**(6,768,401)**	(1,224,095)
Gain on disposal of a listed available-for-sale investment	*6*	**(919,927)**	(144,587)
Write-off of aged accounts payable	*6*	**–**	(1,818,974)
Write-off of aged other payables	*6*	**–**	(318,018)
Depreciation	*13*	**9,065,517**	9,361,278
Impairment loss of an available-for-sale investment	*6, 16*	**2,622,655**	2,330,221
Gain on disposals of items of property, plant and equipment	*6*	**(60,000)**	(309,510)
		37,406,961	14,572,518
Decrease/(increase) in other assets		**(14,474,844)**	707,258
Decrease/(increase) in investments at fair value through profit or loss		**221,700,268**	(223,530,304)
Increase in accounts receivable		**(68,226,969)**	(250,136,861)
Increase in loans and advances		**(379,970,329)**	(578,213,864)
Increase in prepayments, deposits and other receivables		**(1,293,564)**	(2,958,510)
Increase in bank balances held on behalf of customers		**(175,532,623)**	(353,281,933)
Increase in accounts payable		**251,148,059**	586,519,132
Decrease in other payables and accruals		**(929,759)**	(11,758,655)
Cash used in operations		**(130,172,800)**	(818,081,219)
Bank interest received		**18,961,555**	25,113,797
Dividends received from equity investments		**6,768,401**	1,224,095
Hong Kong profits tax refunded		**1,435,651**	1,051,473
Overseas taxes paid		**(205,807)**	(151,902)
Net cash flows used in operating activities		**(103,213,000)**	(790,843,756)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	*13*	**(2,826,365)**	(8,785,045)
Proceeds from disposals of available-for-sale investments		**3,069,093**	517,547
Proceeds from disposals of items of property, plant and equipment		**60,000**	497,281
Net cash flows from/(used in) investing activities – page 45		**302,728**	(7,770,217)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Cont'd)*

Year ended 31 December 2013

	Notes	2013 HK$	2012 HK$
Net cash flows from/(used in) investing activities – page 44		**302,728**	(7,770,217)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**740,035,808**	553,000,000
Repayment of bank loans		**(553,000,000)**	–
Dividend paid		**(7,961,387)**	(14,861,256)
Net cash flows from financing activities		**179,074,421**	538,138,744
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**76,164,149**	(260,475,229)
Cash and cash equivalents at beginning of year		**132,216,594**	392,691,823
CASH AND CASH EQUIVALENTS AT END OF YEAR		**208,380,743**	132,216,594
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*22*	**191,355,670**	89,729,276
Time deposits with original maturity of less than three months when acquired	*22*	**86,370,000**	104,185,000
Cash and cash equivalents as stated in the consolidated statement of financial position		**277,725,670**	193,914,276
Bank overdrafts	*25*	**(69,344,927)**	(61,697,682)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**208,380,743**	132,216,594

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	2013 HK$	2012 HK$
NON-CURRENT ASSETS			
Interests in subsidiaries	*15*	**594,888,259**	624,730,136
CURRENT ASSETS			
Prepayments, deposits and other receivables	*20*	**1,298,973**	1,762,070
Tax recoverable		**–**	168,179
Cash and cash equivalents	*22*	**7,243,583**	7,213,125
Total current assets		**8,542,556**	9,143,374
CURRENT LIABILITIES			
Other payables and accruals	*24*	**2,657,364**	3,017,159
NET CURRENT ASSETS		**5,885,192**	6,126,215
Net assets		**600,773,451**	630,856,351
EQUITY			
Issued capital	*26*	**265,379,563**	265,379,563
Reserves	*27(b)*	**314,163,523**	357,515,401
Proposed final dividend	*11*	**21,230,365**	7,961,387
Total equity		**600,773,451**	630,856,351

Chu Xiaoming
Director

Guo Chun
Director

1. CORPORATE INFORMATION

Shenyin Wanguo (H.K.) Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company has changed from 28th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong to Level 19, 28 Hennessy Road, Hong Kong since 30 December 2013.

During the year, the Group was involved in the following principal activities:

- brokerage business
- corporate finance business
- asset management business
- financing and loans business
- investment and other business

The Company is a subsidiary of Shenyin Wanguo Holdings (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability. In the opinion of the directors, the ultimate holding company of the Company is Shenyin & Wanguo Securities Co., Ltd., which was established in the People's Republic of China.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(Cont'd)*

Basis of consolidation *(Cont'd)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Change in segmental presentation

During the year ended 31 December 2013, the Group changed the presentation for its operating segment information from four reportable operating segments which comprised (i) securities trading and investment holding; (ii) securities broking and dealing; (iii) securities financing and direct loans; and (iv) corporate finance and asset management to five reportable operating segments which comprised (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other business because the directors revisited the reporting operating segments and considered the presentation of new reportable segments better reflects the Group's allocation of resources and assessment of performance. Accordingly, certain figures included in revenue and results for the year ended 31 December 2012 were revised in order to conform with the revised presentation for the year ended 31 December 2013.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new and revised HKFRSs, which are effective for the accounting period beginning on 1 January 2013, as follows:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 *– Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 10 Amendments, HKFRS 13 and HKAS 1 Amendments, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities.* It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Cont'd)*

(a) *(Cont'd)*

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) The HKFRS 10 Amendments clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 32 to the financial statements.

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments* [3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39* [3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities* [1]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions* [2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment to Assets – Recoverable Amount Disclosures for Non-Financial Assets* [3]
HKAS 39 Amendments	Amendments to HKAS 39 Financial Instruments: *Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting* [1]
HK(IFRIC)-Int 21	*Levies* [1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the ''Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated as at fair value through profit or loss using the fair value option (''FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Cont'd)*

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed.

However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities.

The HKAS 32 Amendments clarify the meaning of ''currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Subsidiaries *(Cont'd)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Fair value measurement *(Cont'd)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired assets.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill and certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Related parties

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

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment and depreciation *(Cont'd)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	4%
Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	15% – 33$^{1}/_{3}$%
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible assets, which consist of the Stock and Futures Exchange trading rights, being the eligibility rights to trade on or through The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited with indefinite useful lives, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of the Stock and Futures Exchange trading rights is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Subsequent measurement (Cont'd)

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and club debentures. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments and other financial assets *(Cont'd)*

Subsequent measurement (Cont'd)

Available-for-sale financial investments (Cont'd)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date at reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists for individual financial assets that are individually significant, or collectively for financial assets that are not individually significant. They must do collective assessment if the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment of financial assets *(Cont'd)*

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables and certain accruals, and interest-bearing bank borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial liabilities *(Cont'd)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Income tax *(Cont'd)*

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) income from brokerage business, on a trade date basis;

(b) income from corporate finance business including underwriting commission, when the obligation under the underwriting or sub-underwriting agreement has expired;

(c) service income from asset management business including management fee and investment advisory fee income, as the underlying services have been provided;

(d) interest income from financing and loans business, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset;

(e) income from investment and other business including realised fair value gains or losses on securities and futures contracts trading, on a trade date basis and unrealised fair value gains or losses on change in fair value at the end of the reporting period; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. The Group also retains its previous retirement scheme (the "ORSO Scheme") registered under the Occupational Retirement Scheme Ordinance as a top-up benefit for its employees.

Contributions are made based on a percentage of the employees' relevant income or basic salaries, whichever is greater, and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme and the ORSO Scheme. For the ORSO Scheme, when the contribution exceeds the statutory maximum requirements, the excess contribution is credited as the employer's voluntary contribution to the ORSO Scheme. The employer's mandatory contributions to the MPF Scheme vest fully with the employees when contributed into the MPF Scheme. The employer's voluntary contributions to the ORSO Scheme vest with the employees according to the vesting scale of the ORSO Scheme. Forfeited contributions in respect of employees who leave the Group before their contributions fully vest are available to the Group to offset its future voluntary contributions.

The assets of the MPF Scheme and the ORSO Scheme are held separately from those of the Group in independently administered funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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, are described below.

(a) Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. During the year ended 31 December 2013, impairment loss of HK$2,622,656 (2012: HK$2,330,221) was recognised for an available-for-sale investment.

(b) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The amount of unrecognised tax losses at 31 December 2013 was HK$211,850,000 (2012: HK$207,480,000). Further details are contained in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as follows:

(a) brokerage business;

(b) corporate finance business;

(c) asset management business;

(d) financing and loans business; and

(e) investment and other business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of profit/(loss) before tax.

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

	Brokerage business HK$	Corporate finance business HK$	Asset management business HK$	Financing and loans business HK$	Investment and other business HK$	Total HK$
Year ended 31 December 2013						
Segment revenue from external customers	208,049,898	22,915,358	9,260,777	95,688,581	18,130,843	354,045,457
Segment results and profit/(loss) before tax	32,269,220	(3,620,408)	(2,643,511)	73,802,239	(47,378,868)	52,428,672
Segment assets	3,319,088,583	47,475,494	16,302,568	1,531,351,727	147,926,658	5,062,145,030
Reconciliation:						
Deferred tax assets						222,617
Tax recoverable						386,641
Unlisted club debentures included in financial instruments						2,470,000
Total assets						5,065,224,288
Segment liabilities	2,984,642,628	3,532,264	1,556,770	823,399,797	2,656,298	3,815,787,757
Reconciliation:						
Deferred tax liability						505,834
Tax payable						2,817,824
Total liabilities						3,819,111,415
Other segment information:						
Interest expenses for financial service operations	–	–	–	10,531,430	–	10,531,430
Depreciation expenses	4,402,276	430,327	110,380	–	4,122,534	9,065,517
Impairment loss of an available-for-sale investment	–	–	–	–	2,622,656	2,622,656
Capital expenditure	1,306,624	–	–	–	1,519,741	2,826,365

4. OPERATING SEGMENT INFORMATION *(Cont'd)*

	Brokerage business HK$	Corporate finance business HK$	Asset management business HK$	Financing and loans business HK$	Investment and other business HK$	Total HK$
Year ended 31 December 2012						
Segment revenue from external customers	166,503,537	38,096,141	5,974,120	75,873,519	7,544,425	293,991,742
Segment results and profit/(loss) before tax	20,397,623	11,550,173	(8,988,115)	62,279,384	(53,429,065)	31,810,000
Segment assets	2,987,116,416	26,810,293	18,812,015	1,143,750,139	392,986,125	4,569,474,988
Reconciliation:						
Deferred tax assets						877,503
Tax recoverable						5,225,274
Unlisted club debentures included in financial instruments						2,470,000
Total assets						4,578,047,765
Segment liabilities	2,717,733,958	4,870,507	1,003,897	624,439,614	22,838,428	3,370,886,404
Reconciliation:						
Deferred tax liability						582,799
Tax payable						1,819,397
Total liabilities						3,373,288,600
Other segment information:						
Interest expenses for financial service operations	–	–	–	441,857	–	441,857
Depreciation expenses	8,744,781	419,173	197,324	–	–	9,361,278
Impairment loss of an available-for-sale investment	–	–	–	–	2,330,221	2,330,221
Capital expenditure	8,176,731	430,972	177,342	–	–	8,785,045

Geographical information

The Group's operations are substantially located in Hong Kong and substantially all non-current assets of the Group are located in Hong Kong. Therefore, no further analysis of geographical information is presented.

Information about major customers

As no customer of the Group from whom the revenue derived individually has amounted to over 10% of the Group's total revenue during 2013, no information about major customers is presented.

5. REVENUE AND OTHER GAINS

An analysis of revenue, which is also the Group's turnover, and other gains is as follows:

	Group	
	2013	2012
	HK$	HK$
		(Restated)
Revenue		
Brokerage business:		
Commission on securities dealing		
– Hong Kong securities	**152,586,265**	131,232,410
– Other than Hong Kong securities	**18,615,635**	9,604,012
Commission on futures and options dealing	**28,031,344**	19,299,302
Handling fee income	**4,604,541**	3,731,013
Others	**4,212,113**	2,636,800
	208,049,898	166,503,537
Corporate finance business:		
Placing, underwriting and sub-underwriting commission	**12,415,761**	21,757,237
Financial advisory, compliance advisory and sponsorship fee income	**10,499,597**	16,338,904
	22,915,358	38,096,141
Asset management business:		
Management fee and investment advisory fee income	**9,260,777**	5,974,120
Financing and loans business:		
Interest income from cash clients and margin clients	**73,798,076**	50,635,145
Interest income from initial public offering loans	**2,902,559**	115,848
Interest income from banks	**18,961,555**	25,113,797
Interest income from others	**26,391**	8,729
	95,688,581	75,873,519

5. REVENUE AND OTHER GAINS *(Cont'd)*

An analysis of revenue, which is also the Group's turnover, and other gains is as follows: *(Cont'd)*

	Group	
	2013	2012
	HK$	HK$
		(Restated)
Revenue *(Cont'd)*		
Investment and other business:		
Net realised and unrealised gains on financial assets		
– Listed securities investments and futures contracts	**1,990,963**	126,381
– Unlisted funds	**9,371,479**	6,193,949
Dividend income		
– Listed available-for-sale securities investments	**–**	140,303
– Listed equity investments at fair value through profit or loss	**532,367**	1,083,792
– Unlisted equity investment*	**6,236,034**	–
	18,130,843	7,544,425
	354,045,457	293,991,742
Other gains		
Write-off of aged accounts payable	**–**	1,818,974
Write-off of aged other payables	**–**	318,018
Exchange gains, net	**3,288,036**	1,545,518
	3,288,036	3,682,510

* There was a certain amount of equity interest in The New China Hong Kong Highway Limited (''NCHK Shares'') placed in the Court of First Instance of Hong Kong (''Court'') pending the judgement of the legal proceedings against the Group by two plaintiffs before the year ended 31 December 2012.

On 24 April 2013 and 28 June 2013, the Group received a total amount of HK$6,236,034 from the joint and several liquidators of the New China Hong Kong Group Limited which represented dividends paid on the NCHK shares upon the settlement of the legal proceedings ruled in favour of the Group by the Court on 28 March 2013. Accordingly, such dividends were recognised in the consolidated statement of profit or loss as dividend income from an unlisted available-for-sale equity investment during the year ended 31 December 2013.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2013	2012
	HK$	HK$
Employee benefit expenses		
(including directors' remuneration – note 7):		
Salaries and other staff costs	**108,563,345**	105,402,379
Retirement benefit scheme contributions	**6,765,634**	6,693,789
Less: Forfeited contributions	**(1,065,577)**	(962,856)
Net retirement benefit scheme contributions*	**5,700,057**	5,730,933
	114,263,402	111,133,312
Interest expenses for financial service operations on bank loans and overdrafts wholly repayable within five years	**10,531,430**	441,857
Minimum lease payments under operating leases in respect of land and buildings	**31,251,373**	30,061,040
Auditors' remuneration	**1,980,000**	1,980,000
Gain on disposals of items of property, plant and equipment	**(60,000)**	(309,510)
Net realised losses/(gains) on trading of listed equity investments and futures contracts	**(3,755,477)**	638,597
Net realised gains on trading of unlisted funds	**(6,513,747)**	(677,038)
Gain on disposal of a listed available-for-sale investment	**(919,927)**	(144,587)
Impairment loss of an available-for-sale investment	**2,622,655**	2,330,221
Write-off of aged accounts payable	**–**	(1,818,974)
Write-off of aged other payables	**–**	(318,018)
Foreign exchange gain, net	**(3,288,036)**	(1,545,518)

* At 31 December 2013, the Group had forfeited contributions of HK$29,094 (2012: HK$48,998) available to reduce its contributions to the retirement benefit schemes in future.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2013	2012
	HK$	HK$
Fees	**540,000**	450,000
Other emoluments:		
Salaries, allowances and benefits in kind	**5,219,924**	6,139,044
Retirement benefit scheme contributions	**241,067**	261,600
	5,460,991	6,400,644
	6,000,991	6,850,644

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2013	2012
	HK$	HK$
Ng Wing Hang Patrick	**180,000**	150,000
Kwok Lam Kwong Larry	**180,000**	150,000
Zhuo Fumin	**180,000**	150,000
	540,000	450,000

There were no other emoluments payable to the independent non-executive directors during the year (2012: Nil).

7. DIRECTORS' REMUNERATION *(Cont'd)*

(b) Executive directors and non-executive directors

The remuneration paid to executive directors and non-executive directors during the year was as follows:

	Fees HK$	Salaries, allowances and benefits in kind HK$	Retirement benefit scheme contributions HK$	Total remuneration HK$
2013				
Executive directors:				
Chu Xiaoming	–	–	–	–
Lu Wenqing	–	–	–	–
Guo Chun	–	1,751,885	–	1,751,885
Lee Man Chun Tony	–	3,468,039	241,067	3,709,106
	–	5,219,924	241,067	5,460,991
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Huang Gang*	–	–	–	–
Zhang Lei*	–	–	–	–
	–	–	–	–
	–	5,219,924	241,067	5,460,991

* On 18 February 2013, Zhang Lei was appointed as a non-executive director of the Company and Huang Gang resigned as a non-executive director of the Company.

7. DIRECTORS' REMUNERATION *(Cont'd)*

(b) Executive directors and non-executive directors *(Cont'd)*

The remuneration paid to executive directors and non-executive directors during the year was as follows: *(Cont'd)*

	Fees HK$	Salaries, allowances and benefits in kind HK$	Retirement benefit scheme contributions HK$	Total remuneration HK$
2012				
Executive directors:				
Chu Xiaoming	–	–	–	–
Lu Wenqing	–	–	–	–
Guo Chun^	–	2,096,824	–	2,096,824
Lee Man Chun Tony^	–	3,929,220	261,600	4,190,820
Ying Niankang*	–	113,000	–	113,000
	–	6,139,044	261,600	6,400,644
Non-executive directors:				
Chang Pen Tsao	–	–	–	–
Huang Gang	–	–	–	–
	–	–	–	–
	–	6,139,044	261,600	6,400,644

^ On 9 March 2012, Guo Chun was appointed as the Chief Executive Officer of the Company and Lee Man Chun Tony resigned as the Chief Executive Officer of the Company.

* Ying Niankang resigned as an executive director of the Company on 9 March 2012.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2012: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining three (2012: three) non-directors, highest paid employees are as follows:

	Group	
	2013 **HK$**	2012 HK$
Salaries, allowances and benefits in kind	**6,333,070**	7,232,000
Bonuses	**–**	1,300,000
Retirement benefit scheme contributions	**499,600**	372,550
	6,832,670	8,904,550

The number of non-directors, highest paid employees whose remuneration fell within the following bands is set out below:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**–**	2
	3	3

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2013 HK$	2012 HK$
Group:		
Current – Hong Kong		
Charge for the year	5,465,975	1,574,285
Overprovision in prior years	(932,041)	(897,708)
Current – Elsewhere	73,282	197,609
Deferred (note 17)	577,921	774,329
Total tax charge for the year	5,185,137	1,648,515

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective tax rate is as follows:

	2013 HK$	2012 HK$
Profit before tax	52,428,672	31,810,000
Tax at the statutory tax rate of 16.5% (2012: 16.5%)	8,650,731	5,248,650
Adjustments in respect of current tax of previous periods	(932,041)	(897,708)
Income not subject to tax	(6,956,528)	(5,826,074)
Expenses not deductible for tax	3,445,059	1,011,059
Effect of different tax rates of companies operating in other jurisdictions	256,713	–
Tax losses utilised from previous periods	(2,751,626)	(280,517)
Deductible temporary differences not recognised	3,472,829	2,393,105
Tax expense for the year at the Group's effective rate	5,185,137	1,648,515

10. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2013 includes a loss of HK$22,121,513 (2012: HK$2,453,984) which has been dealt with in the financial statements of the Company (note 27(b)).

11. DIVIDEND

	2013 **HK$**	2012 HK$
Proposed final – HK4 cents (2012: HK1.5 cents) per ordinary share	**21,230,365**	7,961,387

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$47,238,994 (2012: HK$30,151,847) and 530,759,126 (2012: 530,759,126) ordinary shares in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2013					
At 31 December 2012 and at 1 January 2013:					
Cost	4,095,000	23,497,722	39,734,298	2,228,454	69,555,474
Accumulated depreciation	(2,313,675)	(19,781,369)	(28,184,123)	(2,228,454)	(52,507,621)
Net carrying amount	1,781,325	3,716,353	11,550,175	–	17,047,853
At 1 January 2013, net of accumulated depreciation	1,781,325	3,716,353	11,550,175	–	17,047,853
Additions	–	153,853	2,033,365	639,147	2,826,365
Depreciation provided during the year	(122,850)	(3,502,178)	(5,294,018)	(146,471)	(9,065,517)
At 31 December 2013, net of accumulated depreciation	1,658,475	368,028	8,289,522	492,676	10,808,701
At 31 December 2013:					
Cost	4,095,000	23,651,575	41,767,663	2,462,894	71,977,132
Accumulated depreciation	(2,436,525)	(23,283,547)	(33,478,141)	(1,970,218)	(61,168,431)
Net carrying amount	1,658,475	368,028	8,289,522	492,676	10,808,701

13. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

Group

	Leasehold land and buildings HK$	Leasehold improvements HK$	Furniture, fixtures and equipment HK$	Motor vehicles HK$	Total HK$
31 December 2012					
At 1 January 2012:					
Cost	4,095,000	23,447,832	34,162,626	2,228,454	63,933,912
Accumulated depreciation	(2,190,825)	(15,417,975)	(26,316,290)	(2,196,965)	(46,122,055)
Net carrying amount	1,904,175	8,029,857	7,846,336	31,489	17,811,857
At 1 January 2012, net of accumulated depreciation	1,904,175	8,029,857	7,846,336	31,489	17,811,857
Additions	–	55,380	8,729,665	–	8,785,045
Disposals	–	(2,941)	(184,830)	–	(187,771)
Depreciation provided during the year	(122,850)	(4,365,943)	(4,840,996)	(31,489)	(9,361,278)
At 31 December 2012, net of accumulated depreciation	1,781,325	3,716,353	11,550,175	–	17,047,853
At 31 December 2012:					
Cost	4,095,000	23,497,722	39,734,298	2,228,454	69,555,474
Accumulated depreciation	(2,313,675)	(19,781,369)	(28,184,123)	(2,228,454)	(52,507,621)
Net carrying amount	1,781,325	3,716,353	11,550,175	–	17,047,853

The Group's leasehold land and buildings included in property, plant and equipment with a net carrying amount of HK$1,658,475 (2012: HK$1,781,325) are situated in Hong Kong and are held under a long term lease.

14. STOCK AND FUTURES EXCHANGE TRADING RIGHTS

	Group HK$
Cost and carrying amount at 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	4,211,831

15. INTERESTS IN SUBSIDIARIES

	Company	
	2013 HK$	2012 HK$
Unlisted shares, at cost	**229,066,150**	228,066,150
Due from subsidiaries	**596,373,531**	647,653,739
	825,439,681	875,719,889
Due to subsidiaries	**(114,461,276)**	(155,851,045)
	710,978,405	719,868,844
Impairment#	**(116,090,146)**	(95,138,708)
	594,888,259	624,730,136

\# An impairment was recognised for certain unlisted investments and receivables with an aggregate carrying amount of HK$266,118,187 (before deducting the impairment loss) (2012: HK$473,206,344 (before deducting the impairment loss)) because these subsidiaries have been making losses for years or had deficiency in assets at the end of the reporting period.

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment, except for an amount due from a subsidiary totalling HK$170,000,000 (2012: HK$170,000,000) which bears interest at a rate of Hong Kong dollar prime rate less 3% (2012: Hong Kong dollar prime rate less 3%) per annum. The directors of the Company do not intend to demand settlement/proceed with the repayment of the amounts involved within one year after the end of the reporting period.

15. INTERESTS IN SUBSIDIARIES *(Cont'd)*

All of the principal subsidiaries, unless otherwise indicated, are incorporated and operate in Hong Kong. Particulars of the principal subsidiaries are as follows:

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct		Indirect		Principal activities
		2013	2012	**2013**	2012	
Shenyin Wanguo Securities (H.K.) Limited	HK$130,000,000	**100**	100	**–**	–	Securities brokerage and margin financing
Shenyin Wanguo Futures (H.K.) Limited	HK$30,000,000	**100**	100	**–**	–	Futures and options brokerage
Shenyin Wanguo Capital (H.K.) Limited	HK$20,000,000	**100**	100	**–**	–	Corporate finance
Shenyin Wanguo Asset Management (Asia) Limited	HK$10,000,000	**–**	–	**100**	100	Provision of asset management services
Shenyin Wanguo Research (H.K.) Limited	HK$300,000	**100**	100	**–**	–	Provision of securities research services
Shenyin Wanguo Strategic Investments (H.K.) Limited	HK$10,000	**100**	100	**–**	–	Securities trading and investment holding
Shenyin Wanguo Finance (H.K.) Limited	HK$25,000,000	**100**	100	**–**	–	Provision of financial services
Shenyin Wanguo Enterprises (H.K.) Limited	HK$15,000,000	**100**	100	**–**	–	Provision of management and treasury services
Shenyin Wanguo Online Limited	HK$2	**100**	100	**–**	–	Leasing of computer equipment

15. INTERESTS IN SUBSIDIARIES *(Cont'd)*

Name	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company Direct 2013	Direct 2012	Indirect 2013	Indirect 2012	Principal activities
Shenyin Wanguo Trading (H.K.) Limited	HK$375,000	100	100	–	–	Securities trading
Sparkle Well Limited	HK$2	100	100	–	–	Property holding
Wealthy Limited	HK$2	100	100	–	–	Property holding
Shenyin Wanguo (Holdings) Limited	HK$2	100	100	–	–	Investment holding
First Million Holdings Ltd.*	US$1	100	100	–	–	Investment holding
Crux Assets Limited*	US$1	–	–	100	100	Investment holding
Shenyin Wanguo Nominees (H.K.) Limited	HK$1,000	–	–	100	100	Provision of share custodian and nominee services
Shenyin Wanguo Online Broker (H.K.) Limited	HK$10,000,000	60	60	–	–	Dormant

* Incorporated in the British Virgin Islands

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. INVESTMENTS

	Group	
	2013	2012
	HK$	HK$
Available-for-sale investments, at fair value		
Listed equity investments in Hong Kong	**–**	2,558,532
Unlisted equity investment	**7,454,169**	7,595,898
Unlisted club debentures	**2,470,000**	2,470,000
	9,924,169	12,624,430
Investments at fair value through profit or loss		
Listed equity investments in Hong Kong, at fair value	**26,181,149**	39,207,508
Unlisted investment funds, at fair value	**112,139,437**	320,813,346
	138,320,586	360,020,854

The investments at fair value through profit or loss at 31 December 2013 of HK$138,320,586 (2012: HK$360,020,854) were classified as held for trading.

During the year, the changes in fair value in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$368,832 (2012: HK$546,897) and HK$919,927 (2012: HK$144,587) was reclassified from other comprehensive income to the consolidated statement of profit or loss for the year.

There was a prolonged decline in the fair value of an unlisted equity investment classified as an available-for-sale investment during the year. The directors considered that such a decline indicates that the unlisted equity investment was impaired and an impairment loss of HK$2,622,655 (2012: HK$2,330,221), which represented a reclassification from other comprehensive income of HK$2,622,655 (2012: HK$2,330,221), has been recognised in the consolidated statement of profit or loss for the year.

17. DEFERRED TAX

The movements in deferred tax assets and liability during the year are as follows:

Deferred tax assets

Group	Deductible temporary differences HK$
At 1 January 2012	1,437,686
Deferred tax charged to the consolidated statement of profit or loss during the year (note 9)	(560,183)
At 31 December 2012 and 1 January 2013	**877,503**
Deferred tax charged to the consolidated statement of profit or loss during the year (note 9)	**(654,886)**
At 31 December 2013	**222,617**

Deferred tax liability

Group	Accelerated tax depreciation HK$
At 1 January 2012	368,653
Deferred tax charged to the consolidated statement of profit or loss during the year (note 9)	214,146
At 31 December 2012 and 1 January 2013	**582,799**
Deferred tax charged to the consolidated statement of profit or loss during the year (note 9)	**(76,965)**
At 31 December 2013	**505,834**

17. DEFERRED TAX *(Cont'd)*

The Group has tax losses arising in Hong Kong of HK$211,850,000 (2012: HK$207,480,000), subject to agreement by the Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is uncertain whether sufficient future taxable profits will be available from these group companies against which the tax losses can be utilised.

At 31 December 2013, there was no significant unrecognised deferred tax liability (2012: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted due to the availability of double tax relief.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

18. ACCOUNTS RECEIVABLE

	Group	
	2013 **HK$**	2012 HK$
Accounts receivable	**568,243,554**	500,016,585
Less: Impairment	**(21,769,883)**	(21,769,883)
	546,473,671	478,246,702

Save for the credit period allowed by the Group, the accounts receivable shall be due on the settlement dates of the respective securities and futures contract transaction. In view of the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Although the Group does not hold any collateral or other credit enhancements over its accounts receivable balances, the Group is allowed to dispose of the securities deposited by the customers with the Group to settle any overdue amounts. Overdue accounts receivable from cash clients of HK$87,117,669 (2012: HK$96,299,771) bear interest at interest rates with reference to the Hong Kong dollar prime rate (2012: with reference to the Hong Kong dollar prime rate).

18. ACCOUNTS RECEIVABLE *(Cont'd)*

An aged analysis of accounts receivable as at the end of the reporting period, based on the trade date, is as follows:

	Group	
	2013	2012
	HK$	HK$
Within 1 month	**513,917,528**	421,491,715
1 to 2 months	**5,474,809**	4,084,693
2 to 3 months	**2,599,066**	1,603,466
Over 3 months	**46,252,151**	72,836,711
	568,243,554	500,016,585

Included in the provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$21,769,883 (2012: HK$21,769,883) with a carrying amount before provision of HK$21,769,883 (2012: HK$21,769,883). The individually impaired accounts receivable relate to customers that were in default or delinquency in payments and the receivables are not expected to be recovered.

The aged analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK$	HK$
Not past due	**513,917,528**	403,716,814
Less than 1 month past due	**5,474,809**	17,892,562
1 to 3 months past due	**2,599,066**	5,739,588
Over 3 months past due	**24,482,268**	50,897,738
	546,473,671	478,246,702

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default or are covered by securities deposited with the Group.

18. ACCOUNTS RECEIVABLE *(Cont'd)*

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Included in the accounts receivable balance as at 31 December 2013 is a broker receivable due from the ultimate holding company of HK$11,022,157 (2012: HK$12,887,538) which arose from securities dealing transactions. This balance is unsecured, interest-free and repayable on the settlement date of the relevant transactions.

19. LOANS AND ADVANCES

	Group	
	2013	2012
	HK$	HK$
Loans and advances to customers:		
Secured	**1,529,417,951**	1,149,447,622
Unsecured	**2,212,158**	2,212,158
	1,531,630,109	1,151,659,780
Less: Impairment	**(13,173,022)**	(13,173,022)
	1,518,457,087	1,138,486,758

Customers are required to provide collateral to the Group for the loans and advances granted. As at 31 December 2013, the total market value of the securities pledged by customers to the Group as collateral in respect of the above loans and advances to customers was HK$4,554,788,724 (2012: HK$3,023,378,943), of which a total market value of HK$795,566,700 (2012: HK$719,449,500) of such collateral was pledged with banks to secure certain of the Group's overdrafts and bank loans (note 25) as at 31 December 2013. The Group is allowed to dispose of the collateral in settlement of the customers' obligation to maintain the agreed level of margin and any other liability of the customers due to the Group. The Group is allowed to deposit the collateral with an authorised institution as collateral for financial accommodation provided to the Group according to the applicable legislations and regulations.

In view of the fact that the Group's loans and advances relate to a large number of diversified customers, there is no significant concentration of credit risk. Loans and advances to margin clients of HK$1,518,302,593 (2012: HK$1,138,332,264) bear interest at interest rates with reference to the Hong Kong dollar prime rate (2012: with reference to the Hong Kong dollar prime rate).

19. LOANS AND ADVANCES *(Cont'd)*

The Group's loans and advances to customers were repayable on demand at the end of the reporting period.

There were no movements in the provision for impairment during the years ended 31 December 2013 and 2012.

Included in the provision for impairment of loans and advances is a provision for individually impaired loans and advances of HK$13,173,022 (2012: HK$13,173,022) with an aggregate carrying amount before provision of HK$13,327,516 (2012: HK$13,327,516). The individually impaired loans and advances relate to customers that were in default or delinquency in payments and only a portion of the loans and advances is expected to be recovered. The remaining balances of loans and advances that were not impaired relate to a large number of diversified customers for whom there was no recent history of default or are secured by securities collateral pledged by the customers to the Group.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Prepayments	**4,231,795**	4,816,812	**172,000**	178,300
Deposits and other receivables	**12,948,548**	11,069,967	**1,126,973**	1,583,770
	17,180,343	15,886,779	**1,298,973**	1,762,070

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

21. BANK BALANCES HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with licensed banks to hold clients' monies in accordance with the relevant legislation. The Group has classified in the consolidated statement of financial position, the clients' monies as bank balances held on behalf of customers in the current asset section and recognised the corresponding accounts payable to the respective customers in the current liability section. The Group is allowed to retain some or all of the interest on the clients' monies. The Group is not allowed to use the clients' monies to settle its own obligations.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**191,355,670**	89,729,276	**7,243,583**	7,213,125
Time deposits	**86,370,000**	104,185,000	**–**	–
	277,725,670	193,914,276	**7,243,583**	7,213,125

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between overnight and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. ACCOUNTS PAYABLE

An aged analysis of accounts payable, based on the trade date, as at the end of the reporting period is as follows:

	Group	
	2013	2012
	HK$	HK$
Within 1 month	**2,943,688,665**	2,692,540,606

Included in the accounts payable balance as at 31 December 2013 was a broker payable to the ultimate holding company of the Company of HK$6,762,623 (2012: HK$12,213,668) which arose from securities dealing transactions. This balance is unsecured, interest-free and payable on the settlement date of the relevant transactions.

Included in the accounts payable balance as at 31 December 2013 was the amount of segregated client money held on behalf of an intermediate holding company of the Company of HK$26,756,392 (2012: HK$164,183) which arose from securities dealing transactions. This balance is unsecured, bears interest at the bank deposit rate and is payable on demand.

Except for the accounts payable to clients of HK$2,256,791,503 (2012: HK$2,005,969,578), which bear interest at the bank deposit rate per annum, the remaining accounts payable are non-interest-bearing.

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 HK$	2012 HK$	**2013 HK$**	2012 HK$
Other payables	**24,257,413**	32,363,917	**1,072,137**	1,033,945
Accruals	**38,460,944**	31,284,199	**1,585,227**	1,983,214
	62,718,357	63,648,116	**2,657,364**	3,017,159

Other payables are non-interest-bearing and have an average term of within one year.

25. INTEREST-BEARING BANK BORROWINGS

Group

	2013			2012		
	Effective interest rate	**Maturity**	**HK$**	Effective interest rate	Maturity	HK$
Current						
Bank overdrafts – secured	**Hong Kong Inter-bank Offered Rate ("HIBOR") +1% to HIBOR+2%**	**On demand**	**69,344,927**	HIBOR+1.5%	On demand	61,697,682
Bank loans – secured	**HIBOR+1% to HIBOR+2%**	**2014 or on demand**	**740,035,808**	HIBOR+1.3% to HIBOR+1.5%	2013 or on demand	553,000,000
			809,380,735			614,697,682

	Group	
	2013 HK$	2012 HK$
Analysed into:		
Bank loans and overdrafts repayable within one year or on demand	**809,380,735**	614,697,682

25. INTEREST-BEARING BANK BORROWINGS *(Cont'd)*

Notes:

(a) The Group's bank overdrafts of HK$69,344,927 were secured by the pledge of certain marketable securities pledged by customers to the Group as collateral amounting to HK$158,310,000 (2012: HK$164,358,500) as at 31 December 2013 (note 19).

In addition, the Company had guaranteed the bank overdrafts up to HK$120,000,000 (2012: HK$120,000,000) as at 31 December 2013.

(b) The Group's bank loans of HK$740,035,808 were secured by certain marketable securities pledged by customers to the Group and corporate guarantee to banks by the Company as at 31 December 2013.

HK$318,035,808 of the Group's bank loans utilised was secured by certain marketable securities pledged by customers to the Group as collateral amounting to HK$637,256,700 (2012: HK$555,091,000) as at 31 December 2013 (note 19).

The Company had guaranteed the bank loans up to HK$1,037,000,000 (2012: HK$720,000,000) of which HK$523,035,808 (2012: HK$378,000,000) bank loans was utilised as at 31 December 2013.

(c) Certain of the Group's unutilised banking facilities are secured by guarantees given by the Company.

(d) All borrowings are denominated in Hong Kong dollars.

(e) The carrying amounts of the Group's borrowings approximate to their fair values.

26. SHARE CAPITAL

	Company	
	Number of ordinary shares of HK$0.50 each	**HK$**
Authorised:	2,000,000,000	1,000,000,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012, 1 January 2013 and 31 December 2013	530,759,126	265,379,563

27. RESERVES

(a) Group

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

The Group's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

(b) Company

	Note	Share premium account HK$	General reserve HK$	Retained profits/ (accumulated loss) HK$	Total HK$
At 1 January 2012		314,739,683	656,293	52,534,796	367,930,772
Total comprehensive income for the year		–	–	(2,453,984)	(2,453,984)
Proposed final 2012 dividend	*11*	–	–	(7,961,387)	(7,961,387)
At 31 December 2012 and 1 January 2013		**314,739,683**	**656,293**	**42,119,425**	**357,515,401**
Total comprehensive income for the year		–	–	**(22,121,513)**	**(22,121,513)**
Proposed final 2013 dividend	*11*	–	–	**(21,230,365)**	**(21,230,365)**
At 31 December 2013		**314,739,683**	**656,293**	**(1,232,453)**	**314,163,523**

The Company's general reserve represents prior year appropriations of profits which are distributable to the shareholders.

The proposed final dividend within the equity section of the statement of financial position represents an appropriation from retained profits and therefore forms part of the total of such reserves until the dividend is declared and paid. In addition, any excess of the appropriation over the retained profits reserve will be replenished by dividends declared to the Company by its subsidiaries when they are approved subsequent to the end of the reporting period. One of the subsidiaries has declared dividend to the Company on 10 February 2014.

28. CONTINGENT LIABILITIES

As at 31 December 2013, the banking facilities granted to the subsidiaries subject to the guarantees given to the banks by the Company were HK$1,579,500,000 (2012: HK$1,867,500,000), of which HK$592,380,735 (2012: HK$439,697,682) was utilised.

29. COMMITMENTS

(a) Capital commitments

	Group	
	2013	2012
	HK$	HK$
Contracted, but not provided for the purchases of furniture, fixtures and equipment	**2,075,814**	345,000

(b) Operating lease commitments as a lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years (2012: one to three years).

At 31 December 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK$	HK$
Within one year	**28,988,752**	29,891,175
In the second to fifth years, inclusive	**39,974,114**	11,062,124
After the fifth year	**6,891,720**	–
	75,854,586	40,953,299

At 31 December 2013, the Company did not have any significant commitments (2012: Nil).

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(a) The Group paid brokerage commissions totalling HK$3,071,306 (2012: HK$1,313,157) to the ultimate holding company of the Company during the year. The brokerage commissions were based on mutually agreed terms with reference to the commission rate and conditions similar to those offered to other customers by the ultimate holding company.

(b) The Group paid research fees totalling HK$7,705,000 (2012: HK$7,650,000) to a subsidiary of the ultimate holding company of the Company during the year. The research fees were charged in accordance with the agreement signed between the Group and that related company.

(c) Compensation of key management personnel of the Group:

	2013 HK$	2012 HK$
Short term employee benefits	**26,195,023**	31,951,568
Post-employment benefits	**1,625,633**	1,612,792
	27,820,656	33,564,360

Further details of directors' emoluments are included in note 7 to the financial statements.

(d) Outstanding balances with related parties

Details of the Group's accounts receivable and accounts payable with the ultimate holding company and an intermediate holding company of the Company as at the end of the reporting period are included in notes 18 and 23 to the financial statements, respectively.

The transactions mentioned in (a) and (b) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2013 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Other assets	–	30,757,080	–	30,757,080
Available-for-sale investments	–	–	9,924,169	9,924,169
Investments at fair value through profit or loss	138,320,586	–	–	138,320,586
Accounts receivable	–	546,473,671	–	546,473,671
Loans and advances	–	1,518,457,087	–	1,518,457,087
Financial assets included in prepayments, deposits and other receivables	–	12,948,548	–	12,948,548
Bank balances held on behalf of customers	–	2,510,755,892	–	2,510,755,892
Cash and cash equivalents	–	277,725,670	–	277,725,670
	138,320,586	4,897,117,948	9,924,169	5,045,362,703

Financial liabilities

	Financial liabilities at amortised cost HK$
Accounts payable	2,943,688,665
Financial liabilities included in other payables and accruals	27,865,612
Interest-bearing bank borrowings	809,380,735
	3,780,935,012

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: *(Cont'd)*

2012 **Group**

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Other assets	–	16,282,236	–	16,282,236
Available-for-sale investments	–	–	12,624,430	12,624,430
Investments at fair value through profit or loss	360,020,854	–	–	360,020,854
Accounts receivable	–	478,246,702	–	478,246,702
Loans and advances	–	1,138,486,758	–	1,138,486,758
Financial assets included in prepayments, deposits and other receivables	–	11,069,967	–	11,069,967
Bank balances held on behalf of customers	–	2,335,223,269	–	2,335,223,269
Cash and cash equivalents	–	193,914,276	–	193,914,276
	360,020,854	4,173,223,208	12,624,430	4,545,868,492

Financial liabilities

	Financial liabilities at amortised cost HK$
Accounts payable	2,692,540,606
Financial liabilities included in other payables and accruals	22,183,758
Interest-bearing bank borrowings	614,697,682
	3,329,422,046

31. FINANCIAL INSTRUMENTS BY CATEGORY *(Cont'd)*

Financial assets

	Company	
	Loans and receivables	
	2013	2012
	HK$	HK$
Due from subsidiaries	**596,373,531**	647,653,739
Financial assets included in prepayments, deposits and other receivables	**1,126,973**	1,583,770
Cash and cash equivalents	**7,243,583**	7,213,125
	604,744,087	656,450,634

Financial liabilities

	Financial liabilities at amortised cost	
	2013	2012
	HK$	HK$
Due to subsidiaries	**114,461,276**	155,851,045
Financial liabilities included in other payables and accruals	**2,657,364**	3,017,159
	117,118,640	158,868,204

32. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial instruments measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using		
	Level 1 (Quoted prices in active markets) HK$	Level 2 (Significant observable inputs) HK$	Total HK$
Available-for-sale investments:			
Unlisted equity investment	–	7,454,169	7,454,169
Unlisted club debentures	–	2,470,000	2,470,000
Investments at fair value through profit or loss:			
Listed equity investments in Hong Kong, at fair value	26,181,149	–	26,181,149
Unlisted investment funds, at fair value	–	112,139,437	112,139,437
	26,181,149	122,063,606	148,244,755

As at 31 December 2012

	Fair value measurement using		
	Level 1 (Quoted prices in active markets) HK$	Level 2 (Significant observable inputs) HK$	Total HK$
Available-for-sale investments:			
Listed equity investments in Hong Kong	2,558,532	–	2,558,532
Unlisted equity investment	–	7,595,898	7,595,898
Unlisted club debentures	–	2,470,000	2,470,000
Investments at fair value through profit or loss:			
Listed equity investments in Hong Kong, at fair value	39,207,508	–	39,207,508
Unlisted investment funds, at fair value	–	320,813,346	320,813,346
	41,766,040	330,879,244	372,645,284

The Company did not have any financial instruments measured at fair value as at 31 December 2013 (2012: Nil).

During the years ended 31 December 2013 and 2012, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's operating segments include brokerage business, corporate finance business, asset management business, financing and loans business, and investment and other business.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's borrowings from banks during the year are for the provision of financing and loans to customers. The bank borrowings bear interest at interest rates with reference to the HIBOR whereas loans to customers bear interest at interest rates with reference to the Hong Kong dollar prime rate. As the Hong Kong dollar prime rate basically changes in line with the HIBOR, the Group's exposure to the risk of changes in market interest rates is minimal.

The following table demonstrates the sensitivity to a reasonably possible change in Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings, interest-bearing accounts receivable and loans and advances) and the Group's equity.

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** HK$	**Increase/ (decrease) in equity*** HK$
2013			
Hong Kong dollar	**25**	**2,477,861**	**–**
Hong Kong dollar	**(25)**	**(2,477,861)**	**–**
2012			
Hong Kong dollar	25	2,348,293	–
Hong Kong dollar	(25)	(2,348,293)	–

* Excluding retained profits

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Foreign currency risk

The Group's brokerage business is primarily conducted in the stock markets of Hong Kong and the B-share markets of Mainland China, which are denominated in Hong Kong dollars or United States dollars. As the Hong Kong dollar is pegged to the United States dollar, the Group's exposure to foreign currency risk is minimal. The Group's revenue denominated in currencies other than Hong Kong dollars and United States dollars constituted only approximately 1% (2012: 2%) of the total revenue and the Group's exposure to foreign currency risk is not significant.

Credit risk

The Group has put in place a well-established credit policy governing the granting of credit limit to customers. Customers are generally required to deposit their securities with the Group as collateral to their borrowings. The credit department is responsible for assisting the directors in formulating the credit policy of the Group, monitoring the credit risks of customers with reference to the realisable values of the collateral, managing the concentration of credit risk by customer and recommending measures to the directors for granting credit facilities which exceed the authority limit of the credit department. There are no significant concentrations of credit risk within the Group as it relates to a large number of diversified customers.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, bank balances held on behalf of customers, available-for-sale investments, investments at fair value through profit or loss, other assets, and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and loans and advances are disclosed in notes 18 and 19 to the financial statements, respectively.

Liquidity risk

There is a constant need of funding for the settlement of securities transactions and for the provision of financing and loans to the customers. The source of funding is either from the Group's own capital or borrowings from financial institutions, if necessary.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both of its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Liquidity risk *(Cont'd)*

The Group's borrowings from banks during the year are for the provision of financing and loans to customers for their purchases and continuous holding of securities. The maturity of bank borrowings of the Group usually ranges from overnight to six months, where the borrowings are either rolled over or repaid by the Group's own funding. In addition, for those clients who are unable to settle their settlement obligations or margin deficits, the Group may dispose of the securities collateral pledged by the customers to the Group. The Group always ensures that the securities collateral pledged by customers is able to be realised in the market within a reasonable period of time.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2013		Group	
	On demand HK$	Less than 1 year HK$	Total HK$
Accounts payable	2,602,700,495	340,988,170	2,943,688,665
Financial liabilities included in other payables and accruals	–	27,865,612	27,865,612
Interest-bearing bank borrowings	810,186,911	–	810,186,911
	3,412,887,406	368,853,782	3,781,741,188

2012		Group	
	On demand HK$	Less than 1 year HK$	Total HK$
Accounts payable	2,459,290,339	233,250,267	2,692,540,606
Financial liabilities included in other payables and accruals	–	22,183,758	22,183,758
Interest-bearing bank borrowings	614,912,739	–	614,912,739
	3,074,203,078	255,434,025	3,329,637,103

Included in interest-bearing bank borrowings were certain of the Group's bank loans in the amount of HK$740,035,808 (2012: HK$553,000,000), of which the loan agreements contain repayment on demand clauses giving the banks the unconditional right to call in the loans at any time. Therefore, for the purpose of the above maturity profile, the amounts are classified as "on demand".

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group was exposed to equity price risk arising from individual equity investments classified as held-for-trading investments (note 16) and available-for-sale investments (note 16) as at 31 December 2013.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of profit or loss.

		Group	
	Increase/ (decrease) in fair value %	**Increase/ (decrease) in profit before tax** HK$	**Increase/ (decrease) in equity*** HK$
2013			
Investments listed in Hong Kong:			
– Available-for-sale	**1**	**–**	**–**
	(1)	**–**	**–**
– Held-for-trading	**1**	**261,811**	**–**
	(1)	**(261,811)**	**–**
Unlisted investments:			
– Available-for-sale	**1**	**–**	**74,542**
	(1)	**–**	**(74,542)**
– Investment funds	**1**	**1,121,394**	**–**
	(1)	**(1,121,394)**	**–**
2012			
Investments listed in Hong Kong:			
– Available-for-sale	1	–	25,585
	(1)	–	(25,585)
– Held-for-trading	1	392,075	–
	(1)	(392,075)	–
Unlisted investments:			
– Available-for-sale	1	–	75,959
	(1)	–	(75,959)
– Investment funds	1	3,208,133	–
	(1)	(3,208,133)	–

* Excluding retained profits

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Cont'd)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Certain subsidiaries of the Group are regulated by the Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowings divided by total equity. The gearing ratio is reviewed and assessed regularly by the board of directors. The gearing ratios as at the end of the reporting periods were as follows:

Group	**2013** **HK$**	2012 HK$
Interest-bearing bank borrowings	**809,380,735**	614,697,682
Total equity	**1,246,112,873**	1,204,759,165
Gearing ratio	**65%**	51%

34. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, due to the change in segmental presentation during the year, the presentation of certain items and balances in the financial statements have been revised. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 10 February 2014.

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