盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

Stock Code : 851

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Lin Min *(Chairman)*
Mr. Yip Kar Hang, Raymond
Ms. Kwong Wai Man, Karina
Mr. Wu Siu Lam, William

Independent Non-executive Directors

Mr. Cheung Kwok Keung
Mr. Lam Kam Tong
Mr. Qi Wenju

AUDIT COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Lam Kam Tong
Mr. Qi Wenju

REMUNERATION COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Lam Kam Tong
Mr. Qi Wenju

NOMINATION COMMITTEE

Ms. Lin Min *(Chairman)*
Mr. Cheung Kwok Keung
Mr. Lam Kam Tong

COMPANY SECRETARY

Mr. Or Wing Keung

STOCK CODE

851

WEBSITE

www.shengyuan.hk

SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Suites 4301–5, 43/F
Tower 1, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

SOLICITORS

K&L Gates
44th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong & Shanghai Banking Corporation Limited
Bank of China

CHAIRMAN'S STATEMENT

I hereby announce the annual results of Sheng Yuan Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 31 December 2012 (the "Year"). During the Year, the weak global economy overshadowed by the lingering euro debt crisis and fragile recovery of the major advanced economies has hampered Hong Kong's economic growth to a modest 1.4% over 2011, particularly for the first few quarters when the relevant growth rates have not exceeded 1%. During the Year, the Group continued its efforts in developing its financial services platform with securities brokerage as its core. We have further streamlined our business structure towards the financial services industry in the last quarter of 2012 and have also launched our new futures contracts trading services, which coincided well with the rebound of the economy as led by the third round of quantitative easing in the United States. As demonstrated by significantly improved stock market turnover, the recovery of the Hong Kong economy and its financial market since the last quarter of 2012 has been encouraging. As our team of dedicated and professional staff further develops our financial services business as well as other new business opportunities, we shall seek to capitalize on the improving economy and enhance returns for the Group and stakeholders alike.

I would also like to take this opportunity to thank all our board of directors (the "Directors", collectively referred to as the "Board"), management and staff members for their support and contribution to the Group.

Lin Min
Chairman

27 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the Year, revenue of the Group from continuing operations was approximately HK$7.3 million, which has improved from approximately HK$1.7 million for the eight months ended 31 December 2011 (the "Comparable 8-Month Period") as a result of the continued growth of the Group's operations in financial services. Loss for the Year from continuing operations and loss for the Year attributable to owners of the Company were approximately HK$49.7 million and HK$50.6 million respectively, which, on a pro-rata basis, were largely in line with the results from the Comparable 8-Month Period (Loss of approximately HK$37.9 million and HK$39.5 million respectively). Such loss was mainly due to expenditures incurred to support the Group's development in the financial services field and the operations having yet to reach sufficient economies of scale.

Aiming to better focus its resources on its financial services operations, the Group disposed of its trading of telecommunication equipment business during the Year. The disposal resulted in a gain on disposal of approximately HK$2.3 million, which, after aggregating with its operating loss during the Year, resulted in profit from discontinued operations of approximately HK$0.7 million (Comparable 8-Month Period: Loss of approximately HK$2.5 million).

The Group's financial services platform, mainly comprising its securities brokerage and financial services arm Sheng Yuan Securities Limited ("SYSL") and its asset management service arm Sheng Yuan Asset Management Limited ("SYAML"), continued to grow during the Year. During the Year, the Group's securities and brokerage segment recorded growth in commission income and margin financing income and contributed approximately HK$4.7 million in revenue, as compared with approximately HK$1.2 million for the Comparable 8-Month Period. In August 2012, SYSL was further licensed to engage in type 2 (dealing in futures contracts) regulated activity and its futures contracts trading services was launched in the last quarter of 2012. The margin financing business carried out by SYSL since mid-2011 has been well received and was beneficial for attracting securities trading clients who require the added flexibility and leverage. Accordingly, SYSL has increased its share capital during the Year to cater for the funding demand for this margin financing business. With a full year of contribution, the Group's asset management services segment generated HK$2.6 million in revenue during the Year (Comparable 8-Month Period: approximately HK$0.5 million). The increased revenue was largely attributable to management fee income related to Sheng Yuan China Growth Fund, an open-ended equity fund with focus in the Greater China Region launched in September 2011. As at 31 December 2012, the fund's growth in net asset value since launch had outperformed the Eurekahedge Greater China Long Short Equities Hedge Fund Index, whose constituents adopt long-short strategy and invest in securities in the Greater China Region similar to the fund. As the Group's securities and brokerage segment and asset management services segment have been developing in a generally weak financial market during the Year (with the average daily turnover value of on the Hong Kong securities market being approximately HK$53.9 billion in 2012, 23% lower than that of 2011), the segments have yet to reach sufficient scale and recorded segmental losses of approximately HK$8.0 million and HK$1.9 million respectively (Comparable 8-Month Period: Loss of approximately HK$5.0 million and HK$1.5 million).

PROSPECTS

With the implementation of the third round quantitative easing measures by the United States Federal Reserve announced in September 2012, the overall stock market in Hong Kong had seen signs of recovery which, in turn, would benefit the development of the stock brokerage and margin financing businesses of the Group. In December 2012, the average daily turnover value of the Hong Kong securities market has rebounded significantly to approximately HK$61.3 billion, and for the first two months of 2013, the average figure has grown further to approximately HK$75.4 billion. The improving operating environment shall provide a better foundation for the Group to enhance operations and performance of its financial services platform. In the long run, the Group plans to provide a wide range of financial services with stock brokerage and margin financing as its core so as to capture the business opportunities of the financial market in Hong Kong. With the launch of the futures contracts trading business and further increase in capital subsequent to the refocusing of the Group's resources, trading activities in futures contracts and securities of SYSL are expected to increase, which will lead to increased commission income and financing income. Scale of margin financing shall also be expanded as and when capital permits to increase financing income and to encourage increased clients' trading turnover via providing added flexibility and leverage of margin financing. Also, looking forward, SYSL plans to provide financing for applications of shares in connection with initial public offerings and will develop its capability of participating in or undertaking small to medium scale securities placements.

MANAGEMENT DISCUSSION AND ANALYSIS

SYAML, the Group's asset management arm, shall seek to achieve growth via the recruitment of further investment into the Sheng Yuan China Growth Fund and enlarging its client base for discretionary portfolio management services in the future should suitable opportunities arise. Beside continuing efforts to improve its current operations, the Group is also exploring new business opportunities, including but not limited to those related to the resources industry, in order to provide healthy returns for stakeholders in the future.

ACQUISITIONS AND DISPOSALS

During the Year, the Group disposed of its trading of telecommunication equipment business via the disposal of Goodness Come Investments Limited, a subsidiary of the Company, together with an associated shareholders' loan to Morich International Investments Limited, a company beneficially owned by Mr. Hu Yishi, the ultimate controlling shareholder and the spouse of the chairlady of the Company, for an aggregate consideration of approximately HK$49.5 million. The disposal constituted a very substantial disposal and connected transaction for the Company and was completed after being approved in a special general meeting held on 19 December 2012. Further information on the disposal may be found in the announcement and circular of the Company dated 31 October 2012 and 3 December 2012 respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2012, cash and bank balances in general accounts maintained by the Group were approximately HK$65.5 million, representing an decrease of 37.0% from approximately HK$104.0 million as at 31 December 2011, which was largely due to increased margin lending to brokerage clients and working capital needs. As part of the application process for the license in dealings in futures, statutory deposits has increased from HK$0.2 million of 31 December 2011 to HK$1.7 million as at the end of the Year. As the Group's trading of telecommunication equipment business was disposed, property, plant and equipment had decreased to approximately HK$3.0 million from HK$7.4 million during the Year and investment properties are no longer recorded in non-current assets (31 December 2011: HK$11.5 million). Trade and other receivables and prepayments were approximately HK$37.2 million as at the end of the Year (31 December 2011: HK$33.4 million), which mainly represented increased margin loans to clients, and receivables relating to the Group's discontinued operations no longer being recorded. Trade and other payables and accruals have decreased from approximately HK$14.8 million to approximately HK$13.7 million in tandem with the aforementioned disposal. As the Group's outstanding convertible notes were converted in entirety into shares during the Year, they are no longer recorded in the Group's current and non-current liabilities (31 December 2011: approximately HK$19.9 million and approximately HK$35.1 million respectively). As a result of all of the above, the Group's current assets and current liabilities as at the end of the Year were approximately HK$110.6 million (31 December 2011: HK$138.6 million) and approximately HK$13.8 million (31 December 2011: HK$34.8 million) respectively. The Group has no borrowings as at 31 December 2012. The gearing of the Group, measured as total debts to total assets, significantly improved from approximately 34.4% as at 31 December 2011 to 0% as at the end of the Year. At the end of the Year, the Group recorded net assets of approximately HK$104.8 million as compared with approximately HK$90.7 million as at 31 December 2011, with the increase largely due to the aforementioned conversion of convertible notes during the Year. During the Year, the Group financed its operations with internally generated cash flow, funds from the recent disposal of the Group's trading of telecommunication equipment business and funds from the prior rights issue and issuance of convertible notes.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renminbi against Hong Kong dollars were relatively stable during the Year. Therefore, the Group has not engaged in any hedging contracts during the Year. The Group will from time to time review and monitor exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

CAPITAL STRUCTURE

During the Year, a total of 433,610,000 ordinary shares at par value of HK$0.1 each were issued as a result of conversion of the convertible notes with aggregate principal amount of HK$60,018,000.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2012, the obligations under finance leases of approximately HK$107,000 were pledged by the assets with carrying amount of HK$131,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2012, the Group employed approximately 38 employees. The remuneration policy and package of the Group's employees are maintained at market level and are reviewed annually by management. In addition to basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the board of Directors (the "Board") and are subject to the performance of the individual employees as well as the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Lin Min, aged 37, was appointed as an executive Director in May 2009 and was also appointed as the chairman of the Board (the "Chairman") in June 2009. Ms. Lin is responsible for the Group's strategic planning including business objectives and directions. Ms. Lin is the general manager of an investment consultancy firm in Shanghai and was the general manager of an advertising company in Shanghai. Ms. Lin graduated from the research programme on enterprise management of East China Normal University (華東師範大學) and the enterprises management programme of Shanghai Jingan District College (上海市靜安區業餘大學).

Mr. Yip Kar Hang, Raymond, aged 45, was appointed as an executive Director in May 2009 and was also appointed as the chief executive officer ("CEO") of the Company in June 2009. Mr. Yip is responsible for the overall financial and business operations and management of the Group. Mr. Yip has extensive experience in financial management, corporate mergers and acquisitions and company secretarial matters with various listed companies in Hong Kong. Mr. Yip had been an executive director and chief executive officer of Kai Yuan Holdings Limited and an executive director, chief financial officer and company secretary of Imagi International Holdings Limited, the shares of both of which are listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Yip is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He received his master of science degree in finance from University of Leicester and bachelor of science degree in business administration from California State Polytechnic University, Pomona.

Ms. Kwong Wai Man, Karina, aged 43, has been appointed as an executive Director in February 2012. Prior to her appointment, Ms. Kwong is the chief financial officer of the Group and is a director of various subsidiaries of the Group and is responsible for the overall finance and administration functions and corporate governance enforcement of the Group. Ms. Kwong has extensive experience in accounting, financial management and corporate finance. Ms. Kwong worked for sizable organisations in various industries as senior executives in both Canada and Hong Kong. Ms. Kwong had been an executive director and chief financial officer of Kai Yuan Holdings Limited, a company whose shares are listed on the Stock Exchange. Ms. Kwong had previously served as an executive director and non-executive director of Grandmass Enterprise Solution Limited (now known as FAVA International Holdings Limited), the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Ms. Kwong holds a bachelor's degree in business administration from the Simon Fraser University, Canada and is a member of the American Institute of Certified Public Accountants and Hong Kong Securities and Investment Institute.

Mr. Wu Siu Lam, William, aged 49, was appointed as an executive Director in December 2012. Mr. Wu obtained his bachelor's degree in education, postgraduate certificate in education management and postgraduate diploma in education management from The University of Wolverhampton, United Kingdom. Mr. Wu is also certified as a 高級理財規劃師 (Senior China Certified Financial Planner (ChFP)) by Ministry of Labour and Social Security of the People's Republic of China (the "PRC"). He was appointed as the Advisor in Economic Growth of Hebei Chengde Hi-Rank & Hi-Tech Industries Development Zone (承德市高新技術產業開發區經濟發展顧問) in 2006. The private company previously held by him was engaged by entities to provide financial solutions, business feasibilities and fund raising liaison in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Kwok Keung, aged 46, was appointed as an independent non-executive Director of the Company in May 2009. Mr. Cheung started his career in the field of auditing, accounting and financial management over 20 years ago. Mr. Cheung is the chief financial officer and company secretary of Lee & Man Paper Manufacturing Limited, a company the issued shares of which are listed on the main board of the Stock Exchange. He is an independent non-executive director of China Aoyuan Property Group Limited, a company which shares are listed on the Stock Exchange. Mr. Cheung is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung holds a professional diploma in accountancy from the Hong Kong Polytechnic University.

Mr. Lam Kam Tong, aged 44, was appointed as an independent non-executive Director in November 2010. Mr. Lam is an executive director, the chief financial officer and company secretary of Fantasia Holdings Group Co., Limited, a company which shares are listed on the Stock Exchange. Mr. Lam is also an independent non-executive director of Pegasus Entertainment Holdings Limited, a company which shares are listed on the Growth Enterprise Market of the Stock Exchange. Prior to that, Mr. Lam was an executive director, the chief financial officer and company secretary of China Aoyuan Property Group Limited and the chief financial officer and company secretary of Greentown China Holdings Limited, the shares of both of which are listed on the Stock Exchange. Starting his career as an auditor at a leading international accountancy firm, Mr. Lam has over 15 years of experience in professional audit and financial management and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He also holds a bachelor's degree in business management from The Chinese University of Hong Kong.

Mr. Qi Wenju, aged 40, was appointed as an independent non-executive Director in July 2012. Mr. Qi is a senior partner of Beijing Alliance J&S Law Firm (formerly known as Beijing Alliance Law Firm). Mr. Qi has many years of experience in legal related work in Mainland China, and has served significant roles with several law firms in China. Mr. Qi graduated with a bachelor's degree in law from Heilongjiang University and has a master's degree in law from The China University of Political Science and Law.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices as set out in Appendix 14 of the Listing Rules (the "Code") during the Year except for the following deviations:

Under the revised code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Lam Kam Tong, an independent non-executive Director, was unable to attend the special general meeting of the Company held on 19 December 2012 due to his unavoidable business engagement.

Under the revised code provision E.1.2., the chairman of the Board should attend the annual general meeting. However, in the annual general meeting held on 17 May 2012, our Chairman was unable to attend the meeting as she had other commitments. She appointed Mr. Yip Kar Hang, Raymond to chair the meeting on her behalf.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the Year.

BOARD OF DIRECTORS

As at 31 December 2012, the Board comprised four executive Directors and three independent non-executive Directors.

The composition of the Board's members during the year and up to the date of this report is as follows:

Executive Directors

Ms. Lin Min *(Chairman)*
Mr. Yip Kar Hang, Raymond *(CEO)*
Ms. Kwong Wai Man, Karina (appointed on 1 February 2012)
Mr. Wu Siu Lam, William (appointed on 4 December 2012)

Independent Non-executive Directors

Mr. Cheung Kwok Keung
Mr. Lam Kam Tong
Mr. Qi Wenju (appointed on 12 July 2012)
Mr. Chan Chi On, Derek (resigned on 12 July 2012)

During the Year, ten Board meetings were held. Details of the Directors' attendance records were as follows:–

Name	Meetings attended/ Eligible to attend
Executive Directors	
Ms Lin Min	9/9
Mr. Yip Kar Hang, Raymond	10/10
Ms. Kwong Wai Man, Karina	9/9
Mr. Wu Siu Lam, William	0/0
Independent Non-executive Directors	
Mr. Cheung Kwok Keung	10/10
Mr. Lam Kam Tong	10/10
Mr. Qi Wenju	5/5
Mr. Chan Chi On, Derek	5/5

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2012, two general meetings were held. Details of the Directors' attendance records were as follows:–

Name	Meetings attended/ Eligible to attend
Executive Directors	
Ms Lin Min	0/2
Mr. Yip Kar Hang, Raymond	1/2
Ms. Kwong Wai Man, Karina	2/2
Mr. Wu Siu Lam, William	0/0
Independent Non-executive Directors	
Mr. Cheung Kwok Keung	2/2
Mr. Lam Kam Tong	1/2
Mr. Qi Wenju	1/1
Mr. Chan Chi On, Derek	1/1

The Board, led by the Chairman, is responsible for formulation of the Group's strategies and policies, approval of annual budget and business plan, and supervising the management of day-to-day operations of the Group to ensure the business objectives are met. In addition, the Board has also delegated various responsibilities to the remuneration committee (the "Remuneration Committee"), the audit committee (the "Audit Committee") and the nomination committee (the "Nomination Committee") of the Company. Further details of these committees are set out in this report.

During the Year, the Board has reserved for its decisions all major matters of the Group including:

1. renewal of the term of employment of directors;

2. discussion on and approval of the financial results of the Group and the recommendation of any dividend;

3. reviewed the interim results of the Group for the period ended 30 June 2012;

4. reviewed the internal control system and risk management of the Group;

5. reviewed the continuing connected transaction in respect of the provision of certain investment management services;

6. approval of the resignation and appointment of directors;

7. approval on the closing, opening and change signatories of bank accounts;

8. approval on the disposal of subsidiaries;

9. approval on the conversion of convertible notes;

10. approval on change of address principal share registrar; and

11. matters as required by laws and ordinance.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company whenever necessary.

The Directors are committed to complying with the Code provision A.6.5 on Directors' training which come into effect on 1 April 2012. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2012 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has adopted A.2.1 of the Code by appointing Ms. Lin Min and Mr. Yip Kar Hang, Raymond as the Chairman and CEO respectively. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. The Chairman leads the Board in the determination of its strategy and in achievement of its objectives and is responsible organising the business of the Board, ensuring its effectiveness and setting its agenda. The CEO has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election as required by the bye-laws of the Company (the "Bye-laws").

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

2. to determine the specific remuneration packages of all executive Directors and senior management and make recommendations to the Board of the remuneration of non-executive Directors;

3. to review and approve performance-based remuneration from time to time;

4. to review and approve the compensation payable to executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

5. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Currently, the members of the Remuneration Committee are Mr. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju. During the Year, the Remuneration Committee held three meetings. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Cheung Kwok Keung	3/3
Mr. Lam Kam Tong	3/3
Mr. Qi Wenju *(appointed on 12 July 2012)*	1/1
Mr. Chan Chi On, Derek *(resigned on 12 July 2012)*	1/1

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Nomination Committee was established on 27 March 2012 with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Nomination Committee include:

1) to review the structure, size and composition of the Board and make recommendations for changes as necessary, 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, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the CEO. The Nomination Committee should meet at least once a year and when the need arises.

2) responsible for identifying, recruiting and evaluating new nominees to the Board and the assessment of the qualifications of the Directors. The criteria adopted to select and recommend candidates for directorship includes the candidate's experience, professional knowledge, integrity, time commitment and other statutory or regulatory requirements.

It currently consists of one executive Director Ms. Lin Min (chairman) and two independent non-executive Directors. Mr. Cheung Kwok Keung, and Mr. Lam Kam Tong. During the Year, the Nomination Committee held two meetings. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Ms. Lin Min	2/2
Mr. Cheung Kwok Keung	2/2
Mr. Lam Kam Tong	2/2

During the meetings, the Nomination Committee has reviewed the composition of the Board members.

Prior to the establishment of the Nomination Committee, the role and function of such a committee were performed by the Board.

AUDITOR'S REMUNERATION

During the year ended 31 December 2012, the remunerations payable to the auditor of the Company, Deloitte Touche Tohmatsu, are set out as follows:

	Services rendered Fee payable HK$'000
Audit services	1,050
Interim review	150
Taxation services	94
Other advisory services	994

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Audit Committee include:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

2. to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

3. to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

4. to review the Company's internal control and risk management systems.

Currently, the members of the Audit Committee are Mr. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju. During the Year, the Audit Committee held two meetings and the attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Cheung Kwok Keung *(Chairman)*	2/2
Mr. Lam Kam Tong	2/2
Mr. Qi Wenju *(appointed on 12 July 2012)*	1/1
Mr. Chan Chi On, Derek *(resigned on 12 July 2012)*	1/1

During the Year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors.

COMPANY SECRETARY

Mr. Or Wing Keung, the company secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. The company secretary reports to the Board and is responsible for advising the Board on corporate governance matters. During financial year, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

INTERNAL CONTROLS

A sound and effective internal control system is important for the Group to safeguard investments of the shareholders and assets of the Group. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions of the Group.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The statement of the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on page 21 of this annual report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern as at 31 December 2012. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In additional to dispatching circulars, notices, financial reports to shareholders, addition information is also available to shareholders from the Group's website. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman and Directors are available to answer question on the Group's businesses at the meeting.

Pursuant to the Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition.

Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the annual general meeting will be taken by way of poll. The chairman of the annual general meeting will explain the detailed procedure for conducting a poll at the commencement of the annual general meeting.

Shareholders who have enquiries to put to the Board may write to the company secretary of the Company at the principal place of business in Hong Kong at Suites 4301–5, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company will not normally deal with verbal or anonymous enquiries. For the avoidance of doubt, the shareholder(s) must provide their full name, contact details and identification in order that the Company can give them a reply.

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

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

During the Year, the Company has not made any changes to the Bye-laws. An updated version of the Bye-laws is available on the website of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Directors present their report and audited financial statements of the Group for the year ended 31 December 2012.

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 31 to the audited financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2012 and the state of affairs of the Group at that date are set out in the audited financial statements on page 22 to 67.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2012.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years and the year ended 31 December 2012, as extracted from the audited financial statements and restated as appropriate, is set out on page 68. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 76% of the Group's total turnover and the largest customer accounted for approximately 34% of the Group's total turnover. 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.

So far as is known to the Directors, other than those disclosed in "Continuing connected transactions" section in this report, none of the Directors, their associates or substantial shareholders (which to the best knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the share capital of any of the five largest customers of the Group.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the audited financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2012, no reserves are available for distribution to shareholders.

DIRECTORS' REPORT

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

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

Executive Directors:

Ms. Lin Min
Mr. Yip Kar Hang, Raymond
Ms. Kwong Wai Man, Karina *(appointed on 1 February 2012)*
Mr. Wu Siu Lam, William *(appointed on 4 December 2012)*

Independent non-executive Directors:

Mr. Cheung Kwok Keung
Mr. Lam Kam Tong
Mr. Qi Wenju *(appointed on 12 July 2012)*
Mr. Chan Chi On, Derek *(resigned on 12 July 2012)*

In accordance with Article 86(2) of the Company's Bye-laws, Mr. Wu Siu Lam, William and Mr. Qi Wenju were appointed as Directors by the Board to fill the casual vacancies, will hold office until the forthcoming annual general meeting and being eligible, offer themselves for re-election.

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

The non-executive Directors have been appointed for a specific term subject to retirement by rotation as required by the Bye-laws.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

Except for those disclosed under "Continuing connected transaction" below, no contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

At 31 December 2012, the interests and short positions of the Directors and chief executive of the Company in the shares capital and underlying shares and convertible notes of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position in ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Ms. Lin Min *(note 1)*	Interest of spouse	735,154,800	45.60%
Mr. Wu Siu Lam, William *(note 2)*	Beneficial owner	152,677	0.01%

note 1: These shares are held by Front Riches Investments Limited ("Front Riches") which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.

note 2: Mr. Wu Siu Lam, William was appointed on 4 December 2012.

Long position – share options

Name of Directors	Capacity	Number of options held	Number of underlying shares
Ms. Lin Min	Beneficial owner	8,900,000	8,900,000
Mr. Yip Kar Hang, Raymond	Beneficial owner	11,000,000	11,000,000
Ms. Kwong Wai Man, Karina *(note 1)*	Beneficial owner	10,000,000	10,000,000
Mr. Cheung Kwok Keung	Beneficial owner	600,000	600,000
Mr. Lam Kam Tong	Beneficial owner	600,000	600,000

note 1: Ms. Kwong Wai Man, Karina was appointed on 1 February 2012.

Long position – convertible notes

On 23 April 2012, all remaining convertible notes with aggregate principal amount of HK$60,018,000 were converted for 433,610,000 ordinary shares of the Company.

Save as disclosed above, as at 31 December 2012, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or convertible notes of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the convertible notes discussed above and the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible notes of the Company.

Long position – Ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Front Riches *(Note)*	Beneficial owner	735,154,800	45.60%

Note: Front Riches is a corporation controlled by Mr. Hu Yishi, whose spouse, Ms. Lin Min, is an executive Director.

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having a notifiable interest or short position in the shares, underlying shares and convertible notes of the Company as at 31 December 2012.

CONTINUING CONNECTED TRANSACTION

As disclosed in the announcement and circular of the Company dated 16 September 2011 and 7 October 2011 respectively, a master investment service agreement dated 16 September 2011 (the "Investment Service Agreement") entered into between Mr. Hu Yishi (the ultimate beneficial controlling shareholder of the Company) and Ms. Lin Min (the chairlady of the Company and an executive Director), (the "Hu Couple") and the Company in respect of the term of the investment in the Sheng Yuan China Growth Fund (the "Fund"), an exempted company incorporated in the Cayman Islands with limited liability and a subsidiary of the Company, by the Hu Couple pursuant to the agreement dated 16 September 2011 (the "Agreement") signed by the Hu Couple to invest in the Fund (the "Hu Investment"). The arrangement constituted by the Investment Service Agreement, the Agreement and the investment management agreement dated 8 August 2011 entered into between the Fund and Sheng Yuan Fund Management (Cayman) Limited (the "Manager"), an exempted company incorporated in the Cayman Islands with limited liability and an indirect wholly-owned subsidiary of the Company, whereby the Group (through the Manager) provides management services in respect of the Hu Investment constitute connected transaction for the Company under Chapter 14A of the Listing Rules (the "Continuing Connected Transaction").

DIRECTORS' REPORT

The annual caps in respect of the fees payable under the Continuing Connected Transaction for each of the period/years ending 30 April 2012, 30 April 2013 and 30 April 2014 (the "Proposed Annual Caps") were HK$9,900,000, HK$15,000,000 and HK$23,000,000 respectively. The total amount of fees paid/payable for the period ended 31 December 2011 and year ended 31 December 2012 were HK$454,000 and HK$2,388,000 respectively.

The Company's auditor was engaged to report on the 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. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors, being Messrs. Cheung Kwok Keung, Lam Kam Tong and Qi Wenju, reviewed the above Continuing Connected Transaction and confirmed that they were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

In the opinion of the Board, the Continuing Connected Transaction was entered into in the manners stated above.

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

During the Year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out in pages 9 to 14 of this report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 26 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' REPORT

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2012.

CHARITABLE CONTRIBUTIONS

During the Year, the Group did not make any charitable contributions.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audited results for the year ended 31 December 2012 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely, Mr. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Cheung Kwok Keung (chairman), Mr. Lam Kam Tong and Mr. Qi Wenju.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules in March 2012. The Nomination Committee comprises one executive Director namely Ms. Lin Min (chairman), and two independent non-executive Directors namely, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong.

AUDITOR

The audited consolidated financial statements for the year ended 31 December 2012 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Lin Min
Chairman

27 March 2013

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF SHENG YUAN HOLDINGS LIMITED
盛源控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 67, which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000 (restated)
Continuing operations			
Revenue	*6*	**7,251**	1,697
Other income	*8*	**4**	4
Salaries, commission and related benefits		**(38,911)**	(25,480)
Depreciation		**(1,441)**	(898)
Finance costs	*9*	**(1,775)**	(3,813)
Other expenses		**(14,779)**	(9,366)
Loss before taxation		**(49,651)**	(37,856)
Taxation	*10*	**(81)**	–
Loss for the year/period from continuing operations		**(49,732)**	(37,856)
Discontinued operations			
Profit (loss) for the year/period from discontinued operations	*11*	**651**	(2,511)
Loss for the year/period	*12*	**(49,081)**	(40,367)
Other comprehensive (expense) income for the year/period			
Exchange difference arising on translation of foreign operations		**401**	859
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		**(1,925)**	–
Total comprehensive (expense) income for the year/period		**(1,524)**	859
Total comprehensive expense for the year/period attributable to owners of the Company		**(50,605)**	(39,508)
Loss per share	*14*		
From continuing and discontinued operations			
Basic and diluted		**HK$(0.03)**	HK$(0.03)
From continuing operations			
Basic and diluted		**HK$(0.03)**	HK$(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,995**	7,439
Investment properties	16	**–**	11,542
Trading rights	17	**3,322**	2,822
Statutory deposits	18	**1,705**	205
		8,022	22,008
Current assets			
Trade and other receivables and prepayments	19	**37,193**	33,412
Bank balances (trust and segregated accounts)	20	**7,964**	1,168
Bank balances (general accounts) and cash	20	**65,482**	104,019
		110,639	138,599
Current liabilities			
Trade and other payables and accruals	21	**13,700**	14,767
Obligations under finance leases			
– due within one year	22	**37**	37
Convertible notes	25	**–**	19,948
Tax liabilities		**81**	–
		13,818	34,752
Net current assets		**96,821**	103,847
Total assets less current liabilities		**104,843**	125,855
Capital and reserves			
Share capital	23	**161,201**	117,840
Share premium and reserves		**(56,428)**	(27,174)
		104,773	90,666
Non-current liabilities			
Obligations under finance leases			
– due after one year	22	**70**	107
Convertible notes	25	**–**	35,082
		70	35,189
		104,843	125,855

The consolidated financial statements on pages 22 to 67 were approved and authorised for issue by the Board of Directors on 27 March 2013 and are signed on its behalf by:

Lin Min
Director

Yip Kar Hang, Raymond
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Shareholder's contribution HK$'000	Share option reserve HK$'000	Currency translation reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2011	117,840	148,259	7,834	8,744	691	477	12,986	(179,605)	117,226
Loss for the period	–	–	–	–	–	–	–	(40,367)	(40,367)
Exchange differences arising on translation of foreign operations	–	–	–	–	859	–	–	–	859
Total comprehensive income (expense) for the period	–	–	–	–	859	–	–	(40,367)	(39,508)
Equity settled share-based payment	–	–	–	12,948	–	–	–	–	12,948
At 31 December 2011	**117,840**	**148,259**	**7,834**	**21,692**	**1,550**	**477**	**12,986**	**(219,972)**	**90,666**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(49,081)**	**(49,081)**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**401**	**-**	**-**	**-**	**401**
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations	**-**	**-**	**-**	**-**	**(1,925)**	**-**	**-**	**-**	**(1,925)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(1,524)**	**-**	**-**	**(49,081)**	**(50,605)**
Share issued upon conversion of convertible notes	**43,361**	**25,914**	**-**	**-**	**-**	**-**	**(12,986)**	**-**	**56,289**
Equity settled share-based payment	**-**	**-**	**-**	**8,423**	**-**	**-**	**-**	**-**	**8,423**
Lapsed of share options	**-**	**-**	**-**	**(14,580)**	**-**	**-**	**-**	**14,580**	**-**
At 31 December 2012	**161,201**	**174,173**	**7,834**	**15,535**	**26**	**477**	**-**	**(254,473)**	**104,773**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000
OPERATING ACTIVITIES			
Loss for the year/period		**(49,081)**	(40,367)
Adjustments for:			
Taxation		**81**	–
Interest expense		**1,775**	3,813
Interest income		**(64)**	(61)
Depreciation of property, plant and equipment		**2,804**	1,342
Loss on disposal of property, plant and equipment		**–**	75
Gain on disposal of subsidiaries		**(2,322)**	–
Share options expense		**8,423**	12,948
Operating cash flows before movements in working capital		**(38,384)**	(22,250)
Increase in trade and other receivables and prepayments		**(47,147)**	(22,155)
Increase in bank balances (trust and segregated accounts)		**(6,796)**	(830)
Increase in trade and other payables and accruals		**16,423**	9,451
Cash used in operations		**(75,904)**	(35,784)
Interest received		**64**	61
Interest paid		**(516)**	(1,118)
NET CASH USED IN OPERATING ACTIVITIES		**(76,356)**	(36,841)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,072)**	(4,181)
Acquisition of trading rights		**(500)**	–
Increase in statutory deposits		**(1,500)**	–
Disposal of subsidiaries	*24*	**41,619**	–
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**37,547**	(4,181)
CASH USED IN FINANCING ACTIVITY			
Repayment of obligations under finance leases		**(37)**	(21)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(38,846)**	(41,043)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD		**104,019**	144,439
Effect of foreign exchange rate changes		**309**	623
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		**65,482**	104,019
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances (general accounts) and cash		**65,482**	104,019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its parent and ultimate holding company is Front Riches Investments Limited ("Front Riches"), a company incorporated in the British Virgin Islands. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Group is located in Suites 4301-5, 43/F, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in securities brokerage and financial services and asset management services. The Group disposed of subsidiaries engaged in trading of telecommunication equipment for the year ended 31 December 2012 as disclosed in note 24. The trading of telecommunication equipment segment was discontinued during the year.

During the eight months period ended 31 December 2011, the reporting period end date of the Group was changed from 30 April to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group in line with the financial year end of the subsidiaries that generated revenue from securities brokerage and financial services and asset management services businesses. Accordingly, the consolidated financial statements for the prior period cover only eight months ended 31 December 2011. The corresponding comparative amounts shown for the consolidated statement of comprehensive income, consolidated statement of Changes in equity, consolidated statement of cash flows and related notes cover a eight month period from 1 May 2011 to 31 December 2011 and therefore may not be comparable with amounts shown for the current year.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying assets; and
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior period/years and/or on the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 "Presentation of items of other comprehensive income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

Amendments to HKAS 32 Offsetting financial assets and financial liabilities and amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for the Group for annual period beginning on 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective for the Group until annual period beginning on 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Other than as disclosed above, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that were measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year/period are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed.

Commission and brokerage income and asset management service income are recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses item are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of currency translation reserve.

On the disposal of a foreign operations (e.g. a disposal of the Group's entire interest in a foreign operations, or a disposal involving loss of control over a subsidiary that includes a foreign operations, all of the exchange differences accumulated in equity in respect of that operations attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme, are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Trading rights

Trading rights with indefinite useful life are carried at cost (or deemed cost) less any accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including statutory deposits, trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

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

- significant financial difficulty of the issuer and counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes with conversion option

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

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be transferred to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the obligations under finance leases disclosed in note 22, and the equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. CAPITAL RISK MANAGEMENT *(Continued)*

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares and the addition of new borrowings.

Certain group entities are regulated by the Hong Kong Securities and Futures Commission and are required to comply with the financial resources requirements according to the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). The Group's regulated entities are subject to minimum paid-up share capital requirements and liquid capital requirements under the SF(FR)R. Management closely monitors, on a daily basis, the liquid capital level of these entities to ensure compliance with the minimum liquid capital requirements under the SF(FR)R. The Group's regulated entities have complied with the capital requirements imposed by the SF(FR)R throughout the year/period.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2012 **HK$'000**	2011 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**111,399**	138,115
Financial liabilities		
Amortised cost	**12,804**	69,108

Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, trade and other receivables, bank balances and cash, trade and other payables and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligations under finance leases. For the period ended 31 December 2011, the Group was also exposed the fair value interest rate risk in relation to convertible notes. The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets of bank balances. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The Company's directors considered the Group's exposure to currency risk relating to variable-rate bank balances is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2012 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2012, the Group had concentration of credit risk as 95% of the loans to securities margin clients were due from the Group's largest customer. The credit risk of loans to securities margin clients is low as the margin clients pledged their marketable securities to the Group. The fair value of pledged marketable securities is higher than the outstanding loans as at 31 December 2012. As at 31 December 2011, the Group had concentration of credit risk as 81% of the total trade receivables arising from the trading of telecommunication equipment was due from the Group's largest customer which was subsequently settled by the customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate % per annum	Less than 6 months HK$'000	6 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 31.12.2012 HK$'000
2012							
Trade and other payables	–	12,804	–	–	–	12,804	12,804
Obligations under finance leases	0.7	19	19	38	32	108	107
		12,823	19	38	32	12,912	12,911

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate % per annum	Less than 6 months HK$'000	6 months to 1 year HK$'000	1–2 years HK$'000	2–5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 31.12.2011 HK$'000
2011							
Trade and other payables	–	14,078	–	–	–	14,078	14,078
Obligations under finance leases	0.7	19	19	38	70	146	144
Convertible notes	3.5	785	21,635	40,051	–	62,471	55,030
		14,882	21,654	40,089	70	76,695	69,252

Fair value

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

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

6. REVENUE

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000 (restated)
Continuing operations		
Commission and brokerage income and interest income from securities brokerage and financial services	**4,691**	1,210
Asset management services	**2,560**	487
	7,251	1,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided.

During the year, the Group discontinued to operate the trading of telecommunication equipment as disclosed in note 11. The Group is therefore organised into two operating segments for the current year – (a) securities brokerage and financial services and (b) asset management services.

The segment information reported below does not include any amounts for the discontinued operations of trading of telecommunication equipment, which are described in more detail in note 11. Segment information for the prior period is restated.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Continuing operations

	Securities brokerage and financial services		Asset management services		Consolidated	
	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000
REVENUE						
External sales	**4,691**	1,210	**2,560**	487	**7,251**	1,697
Inter-segment sales	**–**	–	**5,089**	1,449	**5,089**	1,449
Segment revenue	**4,691**	1,210	**7,649**	1,936	**12,340**	3,146
Elimination					**(5,089)**	(1,449)
					7,251	1,697
RESULTS						
Segment results	**(7,963)**	(5,012)	**(1,927)**	(1,532)	**(9,890)**	(6,544)
Other income					**4**	4
Share options expense					**(8,423)**	(12,948)
Corporate expenses					**(29,567)**	(14,555)
Finance costs					**(1,775)**	(3,813)
Loss before taxation					**(49,651)**	(37,856)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

Continuing operations *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the financial results by segment without allocation of other income, share options expense, corporate expenses and finance costs. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

Continuing operations

	Securities brokerage and financial services		Asset management services		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
ASSETS						
Segment assets	**49,402**	18,459	**1,129**	142	**50,531**	18,601
Investment properties					**–**	11,542
Bank balances (general accounts) and cash					**65,482**	104,019
Other assets					**2,648**	4,414
Total segment assets					**118,661**	138,576
Assets relating to discontinued operations					**–**	22,031
Consolidated total assets					**118,661**	160,607
LIABILITIES						
Segment liabilities	**9,461**	1,145	**–**	–	**9,461**	1,145
Convertible notes					**–**	55,030
Tax liabilities					**81**	–
Other liabilities					**4,346**	5,144
Total segment liabilities					**13,888**	61,319
Liabilities relating to discontinued operations					**–**	8,622
Consolidated total liabilities					**13,888**	69,941

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

Continuing operations *(Continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than investment properties, bank balances and cash for group administrative purpose and other assets including other receivables and prepayments and property, plant and equipment of head office.

- All liabilities are allocated to operating segments other than convertible notes, tax liabilities and other liabilities including other payables and accruals in relation to corporate administration costs.

Other segment information

Amount included in the measure of segment results or segment assets:

Continuing operations

	Securities brokerage and financial services HK$'000	Asset management services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2012				
Additions to property, plant and equipment *(note)*	**200**	**5**	**51**	**256**
Depreciation of property, plant and equipment *(note)*	**1,304**	**1**	**136**	**1,441**
For the period from 1 May 2011 to 31 December 2011				
Additions to property, plant and equipment *(note)*	41	–	441	482
Depreciation of property, plant and equipment *(note)*	843	–	55	898

Note: Additions to property, plant and equipment and depreciation of property, plant and equipment excluded those relating to discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in Hong Kong.

Information about the Group's revenue from continuing operations from external customers is presented based on the geographical location of the operations of the subsidiary. Information about its non-current assets is presented based on geographical location of the assets.

	Revenue from external customers		Non-current assets	
	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Hong Kong	**7,251**	1,697	**6,317**	6,995

Note: Non-current assets excluded those relating to discontinued operations and statutory deposits.

Information about major customers

Revenue from customers of the corresponding year/period contributing over 10% of the total sales of the Group are as follows:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Customer A[1]	**2,489**	473
Customer B[2]	**920**	N/A[3]
Customer C[2]	**770**	N/A[3]
Customer D[2]	**N/A[3]**	200

1 Revenue from asset management services.
2 Revenue from securities brokerage and financial services.
3 The corresponding revenue did not contribute over 10% of the total sales of the Group.

8. OTHER INCOME

Amounts of other income represent the interest income on bank deposits from continuing operations.

9. FINANCE COSTS

Amounts of finance costs mainly represent the effective interest expense on convertible notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. TAXATION

Amount represents the Hong Kong Profits Tax charge for the year ended 31 December 2012. No provision for Hong Kong Profits Tax had been made for the period from 1 May 2011 to 31 December 2011 as the Group had no assessable profit for the period.

Hong Kong Profits Tax is calculated at 16.5% for the year/period.

Under the law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25%.

The taxation for the year/period can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000 (restated)
Loss before taxation (from continuing operations)	**(49,651)**	(37,856)
Taxation at the Hong Kong Profits Tax rate of 16.5%	**(8,192)**	(6,246)
Tax effect of income not taxable for tax purpose	**(11)**	(10)
Tax effect of expenses not deductible for tax purpose	**5,573**	4,677
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1)**	(31)
Tax effect of tax losses not recognised	**2,712**	1,610
Taxation for the year/period	**81**	–

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$31,087,000 (2011: HK$14,651,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the uncertainty of future profit stream. As at 31 December 2011, the unrecognised tax losses of approximately HK$2,648,000 will expire before 2014. Other losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. DISCONTINUED OPERATIONS

On 31 October 2012, the Group entered into a sale agreement to dispose of a subsidiary, Goodness Come Investments Limited and its subsidiaries (the "Disposal Group"), which carried out all of the Group's trading of telecommunication equipment operations. The disposal was completed on 24 December 2012.

During the eight months period ended 31 December 2011, the Group discontinued the trading of electrical products and copper concentrate segment. The profit (loss) for the year/period from the discontinued operations included both the trading of telecommunication equipment and trading of electrical products and copper concentrate segments is analysed as follows. The amounts for the prior period are restated.

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Loss of trading of electrical products and copper concentrate operations for the year/period	**–**	(303)
Loss of trading of telecommunication equipment operations for the year/period	**(1,671)**	(2,208)
Gain on disposal of trading of telecommunication equipment operations *(note 24)*	**2,322**	–
	651	(2,511)

The results of trading of telecommunication equipment operations for the year/period, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.1.2012 to 24.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Revenue	**76,113**	45,794
Other income	**478**	373
Purchase of inventories for trading businesses	**(71,456)**	(44,515)
Salaries, commission and related benefits	**(719)**	(252)
Depreciation	**(1,363)**	(444)
Other administrative expenses	**(4,724)**	(3,164)
Loss before taxation	**(1,671)**	(2,208)
Taxation	**–**	–
Loss for the period	**(1,671)**	(2,208)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. DISCONTINUED OPERATIONS *(Continued)*

The results of trading of electrical products and copper concentrate operations for the eight months period ended 31 December 2011, which have been included in the consolidated statement of comprehensive income, were as follows:

	1.5.2011 to 31.12.2011 HK$'000
Salaries, commission and related benefits	(267)
Other administrative expenses	(36)
Loss before taxation	(303)
Taxation	–
Loss for the period	(303)

During the year/period, the Disposal Group and the discontinued operations for trading of electrical products and copper concentrate segment contributed approximately HK$13,488,000 (1.5.2011 to 31.12.2011: HK$5,969,000) to the Group's net operating cash out flows and paid HK$1,863,000 (1.5.2011 to 31.12.2011: HK$3,699,000) in respect of investing activities. The Disposal Group and the discontinued operations for trading of electrical products and copper concentrate segment had not contributed to the Group's financing activities for the year/period.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

12. LOSS FOR THE YEAR/PERIOD

	Continuing operations		Discontinued operations		Consolidated	
	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000
Loss for the year/period has been arrived at after charging (crediting):						
Auditor's remuneration	**1,050**	1,050	**–**	–	**1,050**	1,050
Depreciation of property, plant and equipment	**1,441**	898	**1,363**	444	**2,804**	1,342
Loss on disposal of property, plant and equipment	**–**	75	**–**	–	**–**	75
Operating lease payments in respect of rented properties	**3,457**	1,840	**1,968**	1,191	**5,425**	3,031
Staff costs (including directors' remuneration):						
Salaries and allowances and benefits	**29,532**	12,179	**710**	515	**30,242**	12,694
Retirement benefit scheme contributions	**956**	353	**9**	4	**965**	357
Share options expense	**8,423**	12,948	**–**	–	**8,423**	12,948
	38,911	25,480	**719**	519	**39,630**	25,999
Bank interest income	**(4)**	(4)	**(60)**	(57)	**(64)**	(61)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's emoluments

For the year ended 31 December 2012

	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share options expense HK$'000	Total 2012 HK$'000
Executive directors						
Lin Min		200	5,200	14	1,140	6,554
Yip Kar Hang, Raymond		200	3,500	134	1,409	5,243
Kwong Wai Man, Karina	*(i)*	183	1,540	88	1,206	3,017
Wu Siu Lam, William	*(ii)*	–	90	–	–	90
Independent non-executive directors						
Cheung Kwok Keung		200	–	–	77	277
Lam Kam Tong		200	–	–	77	277
Qi Wenju	*(iii)*	95	–	–	–	95
Chan Chi On, Derek	*(iv)*	105	–	–	63	168
Total emoluments		1,183	10,330	236	3972	15,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and the chief executive's emoluments *(Continued)*

For the eight months period ended 31 December 2011

	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share options expense HK$'000	Total 2011 HK$'000
Executive directors					
Lin Min	133	2,168	5	1,728	4,034
Yip Kar Hang, Raymond	133	1,145	46	2,136	3,460
Independent non-executive directors					
Chan Chi On, Derek	133	–	–	116	249
Cheung Kwok Keung	133	–	–	116	249
Lam Kam Tong	133	–	–	116	249
Total emoluments	665	3,313	51	4,212	8,241

Notes:

(i) Director appointed on 1 February 2012

(ii) Director appointed on 4 December 2012

(iii) Director appointed on 12 July 2012

(iv) Director resigned on 12 July 2012

Yip Kar Hang, Raymond is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

During the year/period, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the year/period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

Of the five highest paid individuals of the Group, three (1.5.2011 to 31.12.2011: two) are directors, details of the emoluments are set out in above. The emoluments of the remaining two highest paid individuals (1.5.2011 to 31.12.2011: three) were as follows:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Salaries and other benefits	**3,251**	2,851
Retirement benefit scheme contributions	**101**	113
Share options expense	**724**	2,874
	4,076	5,838

Their emoluments were within the following bands:

	1.1.2012 to 31.12.2012 No. of employees	1.5.2011 to 31.12.2011 No. of employees
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**2**	1

During the year/period, no emoluments were paid by the Group to the above-mentioned individuals as an inducement to join the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14. LOSS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Loss for the purposes of basic and diluted loss per share	**(49,081)**	(40,367)

	Number of shares	
	1.1.2012 to 31.12.2012	1.5.2011 to 31.12.2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,478,138,785**	1,178,402,911

The computation of diluted loss per share from continuing and discontinued operations for the year/period does not assume the exercise of share options and the conversion of convertible notes since it would result in a decrease in loss per share from continuing and discontinued operations.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Loss for the year attributable to owners of the Company	**(49,081)**	(40,367)
Effect of (profit) loss for the year/period from discontinued operations	**(651)**	2,511
Loss for the purposes of basic and diluted loss per share from continuing operations	**(49,732)**	(37,856)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

14. LOSS PER SHARE *(Continued)*

From discontinued operations

The calculation of the basic and diluted profit (loss) per share from discontinued operations attributable to the owners of the Company is based on the following data:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Profit (loss) for the year/period from discontinued operations	**651**	(2,511)
Profit (loss) per share from discontinued operations attributable to owners of the Company		
Basic	**HK$0.0004**	HK$(0.0021)
Diluted	**HK$0.0004**	HK$(0.0021)

The denominators used are the same as those detailed above for basic and diluted loss per share from continuing and discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 May 2011	1,943	3,284	–	5,227
Additions	1,885	293	2,003	4,181
Disposals	(36)	(123)	–	(159)
At 31 December 2011	3,792	3,454	2,003	9,249
Additions	38	234	1,800	2,072
Disposal of subsidiaries	(1,838)	(251)	(3,435)	(5,524)
At 31 December 2012	1,992	3,437	368	5,797
DEPRECIATION AND IMPAIRMENT				
At 1 May 2011	451	101	–	552
Provided for the period	728	459	155	1,342
Disposals	(35)	(49)	–	(84)
At 31 December 2011	1,144	511	155	1,810
Provided for the year	1,354	732	718	2,804
Disposal of subsidiaries	(964)	(68)	(780)	(1,812)
At 31 December 2012	1,534	1,175	93	2,802
CARRYING VALUES				
At 31 December 2012	458	2,262	275	2,995
At 31 December 2011	2,648	2,943	1,848	7,439

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the terms of relevant lease
Furniture, fixtures and equipment	20%
Motor vehicles	20%

The net book value of furniture, fixtures and equipment of HK$2,262,000 (2011: HK$2,943,000) includes an amount of HK$131,000 (2011: HK$160,000) in respect of assets held under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 May 2011	11,306
Exchange realignment	236
At 31 December 2011	11,542
Exchange realignment	92
Disposal of subsidiaries	(11,634)
At 31 December 2012	–

The fair value of the Group's investment properties at 31 December 2011 had been arrived on the basis of a valuation carried out on that date by an independent firm of surveyors, Avista Valuation Advisory Limited. The valuation was determined on the basis of discounted cash flow projections based on estimates of future rental income from properties using market rentals and yields as inputs.

The above investment properties were located outside Hong Kong and held under medium-term lease.

17. TRADING RIGHTS

Amount represents the rights to trade on or through the Stock Exchange. As the trading rights have indefinite live, the amount is carried at cost less any subsequent accumulated impairment loss, if any.

18. STATUTORY DEPOSITS

Amounts represent the statutory deposits placed with the Stock Exchange and Hong Kong Futures Exchange Clearing Corporation Limited.

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2012 **HK$'000**	2011 HK$'000
Trade receivables from trading business	**–**	18,765
Trade receivables arising from the business of securities brokerage		
– Cash clients	**15**	1
– Hong Kong Securities Clearing Company Limited	**1,600**	–
	1,615	1
Loans to securities margin clients	**32,049**	10,567
Trade receivables from asset management services	**1,083**	–
Other receivables and prepayments	**2,446**	4,079
	37,193	33,412

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

The following is an aged analysis of trade receivables base on invoice date at the end of the reporting period:

	2012 HK$'000	2011 HK$'000
0 to 30 days	**1,615**	11,697
31 to 60 days	**–**	6,152
61 to 90 days	**–**	917
	1,615	18,766

As at 31 December 2011, the Group allowed a credit period of 60 days to its trading customers from trading businesses. Included in the Group's trade receivables balance were debtors with aggregate carrying amount of approximately HK$917,000 as at 31 December 2011, which were past due at the end of the reporting period for which the Group had not provided for impairment loss as there had not been a significant change on credit quality and the amounts are still considered recoverable. The Group did not hold any collateral over these balances. The age of these trade receivables was ranged from 61 to 90 days as at 31 December 2011.

The settlement terms of trade receivables arising from the business of securities brokerage are usually one to two days after the trade date and aged within two days. The amount had not been overdue as at 31 December 2012 and 2011. The directors will follow up the trade receivables that had been over the settlement terms.

The Group offsets certain trade receivables and trade payables when the Group currently has a legally enforceable right to set off the balances and intends either to settle on a net basis, or to realise the balances simultaneously.

Loans to securities margin clients are repayable on demand and bear interest from 8% to 13% (2011: 8% to 13%) per annum. In the opinion of the directors, no aged analysis is disclosed as the aged analysis does not give additional value. The loans are secured by pledged marketable securities at fair value of approximately of HK$107,061,000 (2011: HK$70,602,000). The average percentage of collateral over the outstanding balance as at 31 December 2012 ranged from 157% to 1846% (2011: from 140% to 923%). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding loan. The Group is permitted to sell or repledge the marketable securities if the customer defaults payments.

The Group does not provide any credit term to its asset management services clients. The aged analysis of trade receivables arising from these clients base on invoice date is as follows:

Trade receivables from asset management services

	2012 HK$'000	2011 HK$'000
0 to 30 days	**1,059**	–
31 to 60 days	**3**	–
61 to 90 days	**21**	–
	1,083	–

The trade receivables from asset management services is overdue as at 31 December 2012. The Group had not provided for impairment loss of trade receivables from asset management services as the trade receivables had subsequently been settled after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

20. BANK BALANCES AND CASH

Bank balances (trust and segregated accounts)

From the Group's securities brokerage business, it receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts and bear prevailing market deposit rates at 0.001% (2011: 0.001%) per annum. The Group has recognised the corresponding trade payable to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts included short-term deposits with an original maturity of three months or less. Bank deposits received interest at prevailing market interest rates at 0.001% (2011: 0.001% to 0.5%) per annum.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2012 HK$'000	2011 HK$'000
Trade payables from trading business	–	8,622
Trade payables arising from the business of securities brokerage and financial services		
– cash clients	4,137	1,104
– futures clients	36	–
– Hong Kong Securities Clearing Company Limited	18	1,258
	4,191	2,362
Amounts due to securities margin clients	5,287	42
Other payables and accruals	4,222	3,741
	13,700	14,767

As at 31 December 2011, trade payables from trading business were aged within 60 days.

The settlement term of trade payables arising from business of securities brokerage and financial services is two days after the trade date and aged within 30 days, out of the trade payables of cash and futures clients arising from the business of securities brokerage and financial services, an amount of HK$4,059,000 (2011: HK$1,070,000) bears prevailing market deposit rate at 0.001% (2011: 0.001%) per annum.

Amounts due to securities margin clients are repayable on demand and interest free. In the opinion of the directors, no aged analysis is disclosed for amounts due to securities margin clients as the aged analysis does not give additional value.

The trade payables amounting to approximately HK$7,964,000 (2011: HK$1,168,000) were payable to clients or other institutions in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Other payables and accruals comprise principally the outstanding for ongoing costs and accrued expenses for the operations of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

22. OBLIGATIONS UNDER FINANCE LEASES

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**37**	37
Non-current liabilities	**70**	107
	107	144

The Group had entered into finance leases for certain of its office equipment with lease term of 5 years. Interest rates underlying all obligations under finance leases were fixed at 0.7% per annum. No arrangements had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000	**1.1.2012 to 31.12.2012 HK$'000**	1.5.2011 to 31.12.2011 HK$'000
Amounts payable under finance leases				
Within one year	**38**	38	**37**	37
In more than one year but not more than two years	**38**	38	**38**	37
In more than two years but not more than five years	**32**	70	**32**	70
	108	146	**107**	144
Less: Future finance charges	**(1)**	(2)	**N/A**	N/A
Present value of lease obligations	**107**	144	**107**	144
Less: Amount due for settlement within one year (shown under current liabilities)			**(37)**	(37)
Amount due for settlement after one year			**70**	107

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

23. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2012	2011	**2012**	2011
			HK$'000	HK$'000
Authorised:				
At beginning and end of the year/period	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the year/period	**1,178,402,911**	1,178,402,911	**117,840**	117,840
Conversion of convertible notes *(note)*	**433,610,000**	–	**43,361**	–
At end of the year/period	**1,612,012,911**	1,178,402,911	**161,201**	117,840

Note: During the year ended 31 December 2012, 433,610,000 ordinary shares at par value of HK$0.1 each were issued as a result of conversion of the convertible notes with aggregate principal amount of HK$60,018,000.

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

24. DISPOSAL OF SUBSIDIARIES

As referred to in note 11, the Group discontinued its trading of telecommunication equipment operations at the time of disposal of the Disposal Group. The purchaser paid to the Company for the amount due from the Disposal Group to the Company at the date of disposal in full and the consideration of US$1 (equivalent to approximately HK$8) for the share of Goodness Come Investments Limited. At the date of disposal, the amount due from the Disposal Group to the Company was approximately HK$49,464,000. The direct expenses in relation to the disposal of the Disposal Group was approximately HK$1,886,000. The net assets of the Disposal Group at the date of disposal were as follows:

	HK$'000
Consideration received:	
Cash consideration	49,464
Direct expenses paid in relation to the disposal	(1,886)
Total consideration received, net of transaction costs	47,578

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

24. DISPOSAL OF SUBSIDIARIES *(Continued)*

	24.12.2012 HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	3,712
Investment properties	11,634
Trade and other receivables and prepayments	43,366
Bank balances and cash	5,959
Trade and other payables and accruals	(17,490)
Net assets disposal of	47,181
Gain on disposal of the Disposal Group:	
Consideration received, net of transaction costs	47,578
Net assets disposed of	(47,181)
Cumulative exchange gain in respect of the net assets of the Disposal Group reclassified from equity to profit or loss on loss of control of the Disposal Group	1,925
Gain on disposal	2,322
Net cash inflow arising on disposal	
Cash consideration, net of transaction costs	47,578
Less: Bank balances and cash disposed of	(5,959)
	41,619

The impact of the Disposal Group on the Group's results and cash flows in the current and prior year/period is disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

25. CONVERTIBLE NOTES

The Company issued two convertible notes and details are set out as below:

(a) 5% convertible notes due on 2012 (the "5% Notes")

On 17 July 2007, the Company issued 5% Notes at a par value of HK$51,600,000 and with a maturity date of 16 July 2012. The 5% Notes are denominated in Hong Kong dollars. The noteholder has the rights to convert their notes into the Company's new ordinary shares at any time from the date of issue to the seventh day prior to the date of maturity at a conversion price of HK$0.12 per convertible note (subject to anti-dilution adjustment). If the 5% Notes have not been converted on the maturity date, the Company shall repay to the holder of the 5% Notes for the principal amount of the outstanding convertible notes held by the noteholder. During the year ended 30 April 2010 and 31 December 2012, the noteholder had converted the convertible notes into shares with par value of HK$36,000,000 and HK$15,600,000 respectively. As at 31 December 2011, the liability component of the 5% Notes was classified as current liabilities since the 5% Notes would be matured within 12 months as at 31 December 2011.

The effective interest rate of the liability component of the 5% Notes is 9.9% per annum.

The 5% Notes contain two components, liability and equity elements. The equity element is included in "convertible notes reserve".

(b) 2% convertible notes due on 2012 and 2013 (the "2% Notes")

On 17 November 2009 and 29 April 2010, with Company issued 2% Notes at a par value of HK$5,152,000 and HK$39,266,000 and with a maturity date of 17 November 2012 and 29 April 2013 respectively. The 2% Notes are denominated in Hong Kong dollars. The noteholder has the rights to convert their notes into the Company's new ordinary shares at any time from the date of issue to the third day prior to the date of maturity at a conversion price of HK$0.184 per convertible notes (subject to anti-dilution adjustment). If the 2% Notes have not been converted on the maturity date, the Company shall repay to the holder of the 2% Notes for the principal amount of the outstanding convertible notes held by the noteholder. During the year ended 31 December 2012, the noteholder had converted the convertible notes into shares with par value of HK$44,418,000. As at 31 December 2011, the liability component of the 2% Notes that mature on 17 November 2012 was classified as current liabilities since the relevant 2% Notes would be matured within 12 months as at 31 December 2011.

The effective interest rates of the liability component of the 2% Notes issued on 17 November 2009 and 29 April 2010 are 12.4% and 11.1% per annum respectively.

The 2% Notes contain two components, liability and equity elements. The equity element is included in "convertible notes reserve".

The 5% Notes and 2% Notes are held by Front Riches as at 31 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

25. CONVERTIBLE NOTES *(Continued)*

The movement of the liability component of the convertible notes during the year/period is set out below:

	5% Notes HK$'000	2% Notes HK$'000	Total HK$'000
At 1 May 2011	14,755	37,580	52,335
Interest expenses	985	2,828	3,813
Interest paid	(524)	(594)	(1,118)
At 31 December 2011	15,216	39,814	55,030
Interest expenses	456	1,319	1,775
Interest paid	(240)	(276)	(516)
Converted during the year	(15,432)	(40,857)	(56,289)
At 31 December 2012	–	–	–

	2012 HK$'000	2011 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**–**	19,948
Non-current liabilities	**–**	35,082
	–	55,030

26. SHARE OPTIONS SCHEME

Under the share option scheme adopted by the Company on 24 September 2004 (the "Option Scheme"), the Board of Directors of the Company may grant options to the full-time employees (including executive directors) of the Company or any of its subsidiaries. The purpose of the Option Scheme provides incentives or rewards to the participants (including but not limited to employees, directors, suppliers and customers of the Group) ("Qualified Persons") for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Pursuant to this 10-year term Option Scheme, the Company can grant options to the Qualified Persons for a consideration of HK$1.00 for each grant payable by the Qualified Persons. The total number of the shares issued and to be issued upon exercise of the options granted to each Qualified Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on the annual general meeting of the Company, dated 27 August 2010, the Company can grant 84,171,636 share options to the Qualified Persons, until the next time of refreshment. At the annual general meeting of the Company, dated 16 September 2011, the Company passed the resolution that the Company can grant 117,840,291 share options to the Qualified Persons until the next time of refreshment.

Subscription price in relation to each option pursuant to the Option Scheme shall be not less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Persons; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares. There shall be no minimum holding period for the vesting or exercise of the options under the Scheme but the options are exercisable within the option period as determined by the board of directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26. SHARE OPTIONS SCHEME *(Continued)*

The following table discloses details of the options held by Qualified Persons (including directors) and movements in such holdings during the year/period.

					Number of options					
Grantee	Date of grant	Exercise price HK$ *(note 1)*	Vesting period	Exercisable period	Outstanding at 1 May 2011	Granted during the period	Outstanding at 31 December 2011	Transfer in (out)	Lapsed during the year	Outstanding at 31 December 2012
Executive directors:										
Lin Min	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	3,080,700	–	3,080,700	–	(3,080,700)	–
	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	3,560,000	3,560,000	–	–	3,560,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	5,340,000	5,340,000	–	–	5,340,000
Yip Kar Hang, Raymond	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	7,872,900	–	7,872,900	–	(7,872,900)	–
	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	4,400,000	4,400,000	–	–	4,400,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	6,600,000	6,600,000	–	–	6,600,000
Kwong Wai Man, Karina	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	–	–	4,000,000	–	4,000,000
(note 2)	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	–	–	6,000,000	–	6,000,000
Independent non-executive directors:										
Cheung Kwok Keung	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	684,600	–	684,600	–	(684,600)	–
	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	240,000	240,000	–	–	240,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	360,000	360,000	–	–	360,000
Lam Kam Tong	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	240,000	240,000	–	–	240,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	360,000	360,000	–	–	360,000
Chan Chi On, Derek	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	240,000	240,000	–	(240,000)	–
(note 3)	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	360,000	360,000	–	(360,000)	–
Employee in aggregate	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	3,080,700	–	3,080,700	–	(3,080,700)	–
	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	19,320,000	19,320,000	(4,000,000)	(7,800,000)	7,520,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	–	28,980,000	28,980,000	(6,000,000)	(11,700,000)	11,280,000
					14,718,900	70,000,000	84,718,900	–	(34,818,900)	49,900,000
Exercisable at the end of the period/year							42,718,900			49,900,000

Notes:

(1) The exercise price for the option granted on 25 August 2009 had been adjusted from HK$1.81 to HK$1.587 with the rights issue completed in March 2011.

(2) Kwong Wai Man, Karina appointed as executive director on 1 February 2012.

(3) Chan Chi On, Derek resigned as independent non-executive director on 12 July 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

26. SHARE OPTIONS SCHEME *(Continued)*

The Company granted 70,000,000 share options during the period from 1 May 2011 to 31 December 2011. 40% of the share options granted (equivalent to 28,000,000 share options) vested immediately. The remaining 60% of share options granted (equivalent to 42,000,000 share options) would be vested 1 year after grant date.

The closing price of the Company's shares immediately before 25 August 2011, the date of grant, was HK$0.57.

The Binomial model has been used to estimate the fair value of the options as at the grant date, 25 August 2011. The fair value of the options for the 40% of the share options and 60% of the share options determined at the date of grant using the Binomial model were HK$8,249,000 and HK$13,335,000 respectively.

The following assumptions were used to calculate the fair value of the share option at grant date:

Grant date share price	HK$0.56
Exercise price	HK$0.56
Expected life	10 years
Expected volatility	77%
Dividend yield	0%
Risk-free interest rate	1.76%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous ten years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$8,423,000 (1.5.2011 to 31.12.2011: HK$12,948,000) for the year ended 31 December 2012 in relation to share options granted by the Company in 2011.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2012 HK$'000	2011 HK$'000
Within one year	**1,952**	5,810
In the second to fifth year inclusive	**–**	4,794
	1,952	10,604

Leases are negotiated for a term of two years and rentals are fixed for the lease terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

27. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned from discontinued operations during the year/period was approximately HK$418,000 (1.5.2011 to 31.12.2011: HK$315,000). Outgoings is negotiable.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2012 **HK$'000**	2011 HK$'000
Within one year	**–**	513
In the second to fifth year inclusive	**–**	415
	–	928

28. OTHER COMMITMENTS

At the end of the reporting period, the Group had commitments for future service payments for the security trading server under non-cancellable service agreement which fall due as follows:

	2012 **HK$'000**	2011 HK$'000
Within one year	**127**	502
In the second to fifth year inclusive	**64**	23
	191	525

29. RETIREMENT BENEFITS SCHEME

Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. Contributions are made based on a percentage of the employee's salaries and are charged to the consolidated statement of comprehensive income as incurred in accordance with the rules of the MPF scheme.

The employees of the Group's subsidiary in PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total cost charged to the consolidated statement of comprehensive income of HK$965,000 (1.5.2011 to 31.12.2011: HK$357,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

30. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 December 2012, the Company recognised interest expenses on convertible notes of HK$1,775,000 (1.5.2011 to 31.12.2011: HK$3,813,000) which are held by Front Riches, the ultimate holding company of the Group.

(b) During the year ended 31 December 2012, the Group recognised management fee income on asset management of approximately HK$2,388,000 (1.5.2011 to 31.12.2011: HK$454,000) from Sheng Yuan China Growth Fund (the "Fund") in which Ms. Lin Min, the chairlady and an executive director of the Company, and Mr. Hu Yishi, the spouse of Ms. Lin Min and the controlling shareholder of the Company, together held all the participating shares in the Fund as at 31 December 2012.

(c) Compensation of key management personnel

Compensation of key management represents directors' remunerations during the year/period and was as follows:

	1.1.2012 to 31.12.2012 HK$'000	1.5.2011 to 31.12.2011 HK$'000
Salaries and other short-term employee benefits	**11,513**	3,978
Retirement benefit scheme contributions	**236**	51
Share options expense	**3,972**	4,212
	15,721	8,241

The remuneration of directors is determined having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

31. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Country/ place of incorporation or registration	Principal place of operations	Nominal value of issued/ registered capital	Proportion of nominal value of issued/registered capital directly held by the Group 2012	2011	Principal activities
Kingwell Management Limited	Hong Kong	Hong Kong	HK$1,000,000	**100%**	100%	Providing of administrative services to the Group
Sheng Yuan Securities Limited	Hong Kong	Hong Kong	HK$20,000,000	**100%**	100%	Securities brokerage, margin financing and financial services
Sheng Yuan Investment Advisors Limited	Hong Kong	Hong Kong	HK$1,000,000	**100%**	100%	Investment advisory services
Sheng Yuan Asset Management Limited	Hong Kong	Hong Kong	HK$5,000,000	**100%**	100%	Provision of investment management and advisory services
Sheng Yuan Fund Management (Cayman) Limited	Cayman Islands	Cayman Islands	US$100	**100%**	100%	Provision of investment management and advisory services
Sheng Yuan Capital (Hong Kong) Limited	Hong Kong	Hong Kong	HK$5,000,000	**100%**	100%	Capital management services
Sheng Yuan Services Limited	Hong Kong	Hong Kong	HK$1	**100%**	100%	Providing of administrative services to the Group
Sun Profit (China) Limited *(Note i)*	Hong Kong	Hong Kong	HK$1	**–**	100%	Investment holding
順盈貿易(上海)有限公司 *(Notes i and ii)*	PRC	PRC	US$6,000,000	**–**	100%	Trading of telecommunication equipment

Notes:

(i) The subsidiaries were disposed of during the year ended 31 December 2012.

(ii) The subsidiary was registered as a wholly-owned foreign enterprise under the PRC law.

None of the subsidiaries had any debt securities subsisting at the end of the year/period or at any time during the year/period.

FINANCIAL SUMMARY

	Year ended 30 April 2009 HK$'000	Year ended 30 April 2010 HK$'000	Year ended 30 April 2011 HK$'000 (restated)	Period from 1 May 2011 to 31 December 2011 HK$'000	**Year ended 31 December 2012 HK$'000**
RESULTS					
Revenue	23,546	7,782	19,776	1,697	**7,251**
Profit (loss) before taxation	31,226	(19,359)	(13,070)	(37,856)	**(49,651)**
Taxation	–	–	–	–	**(81)**
Profit (loss) for the year/period	31,226	(19,359)	(13,070)	(37,856)	**(49,732)**

	Year ended 30 April 2009 HK$'000	Year ended 30 April 2010 HK$'000	Year ended 30 April 2011 HK$'000	Period from 1 May 2011 to 31 December 2011 HK$'000	**Year ended 31 December 2012 HK$'000**
ASSETS AND LIABILITIES					
Total assets	17,690	44,389	175,042	160,607	**118,661**
Total liabilities	(59,001)	(54,223)	(57,816)	(69,941)	**(13,888)**
	(41,311)	(9,834)	117,226	90,666	**104,773**