盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

Stock Code: 851

2013 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. Xu Guocai

Independent Non-Executive Directors

Mr. Cheung Kwok Keung
Mr. Lo Ka Wai
Mr. Qi Wenju
Mr. Wu Fred Fong

AUDIT COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Lo Ka Wai
Mr. Qi Wenju
Mr. Wu Fred Fong

REMUNERATION COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Lo Ka Wai
Mr. Qi Wenju
Mr. Wu Fred Fong

NOMINATION COMMITTEE

Ms. Lin Min *(Chairman)*
Mr. Cheung Kwok Keung
Mr. Lo Ka Wai
Mr. Wu Fred Fong

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
China Construction Bank (Asia)

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 2013 (the "Year"). In 2013, the Group continued to focus on developing its financial services platform with securities brokerage and asset management services as its core businesses. However, the operating environment in Hong Kong for the Year remained challenging and uncertain with the U.S. Federal Reserve Board reducing the scale of quantitative easing coupled with a record of the slowest pace of growth in gross domestic product in Mainland China since 1999. Hang Seng index was widely fluctuated during the Year with a strong rebound in the second half of the Year from the lowest at 19,426 in June 2013 to the highest as 24,111 in December 2013. The confidence of investors further recovered after the commencement of the Third Plenary Session of the Eighteenth Central Committee of the Communist Party of China in September 2013 with the announcement of several economic reform measurements including financial liberalization and establishment of free trade zones. This swept away part of the uncertainties and fortunately, even in a volatile economic environment, we have still achieved a moderate growth in turnover for our financial business for the Year.

In order to enhance the returns of the Group, our dedicated and professional team members have actively conducted feasibility studies on recruiting more experience talents in the financial industry, exploring co-investment partners and investors, and exploring other new business. In the foreseeable future, I would like to see one or more of these new moves of the Group could be successfully implemented.

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

11 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the Year, revenue of the Group from continuing operations increased to HK$62.1 million, as compared with approximately HK$7.3 million for the year ended 31 December 2012 (the "Comparable Year"), which is largely attributable to the moderate growth in income from financial services and an additional stream of income from the trial operations in trading of chemical products during the Year. Loss attributable to owners of the Company for the Year was approximately HK$40.2 million, as compared with approximately HK$50.6 million of the Comparable Year. Such loss was mainly reflected the continual expenditures in developing its financial services platform of the Group. In the Comparable Year, the Group has disposed its trading of telecommunication equipment business and no further contribution was recorded during the Year.

During the Year, the Group has continued to focus on the development of its 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 ("SYAM"). Benefited from the recovered market transactions and improving average daily turnover of Hong Kong securities market in 2013, the revenue for SYSL during the Year was recorded as approximately HK$6.1 million (Comparable Year: approximately HK$4.7 million). However, SYSL was still under the development stage and has yet to reach sufficient scale, a segment loss of approximately HK$7.1 million was recorded during the Year (Comparable Year: Loss of approximately HK$8.0 million).

With a better sector allocation and stock selection startegy, Sheng Yuan China Growth Fund (the "Fund") for the Year had outperformed the Eurekahedge Greater China Long Short Equities Hedge Fund Index, whose constituents adopt long-short strategy and invest in securities of the Greater China Region similar to the Fund. The performance of SYAM was improved and recorded a revenue of approximately HK$7.5 million (Comparable Year: approximately HK$2.6 million) and a segment profit of approximately HK$1.9 million (Comparable Year: Loss of approximately HK$1.9 million).

As a diversification of business, the Group was exploring new business opportunities including but not limited to those related to the resources industry in order to provide healthy returns for the shareholders of the Company. The Group has commenced trial operations in the trading of chemical products since April 2013 in order to diversify its income stream. The revenue and segment loss generated from the trading of chemical products during the Year was approximately HK$48.5 million and HK$1.9 million respectively.

PROSPECTS

The economic environment for 2014 is still remained challenging and uncertain with the tentative timetable for US Federal Reserve ending its quantitative easing monetary policies and the expectation of Mainland China undergoing economic transformation in coming year resulted in slowing down the pace of growth. The Group will continue to focus on developing its financial services platform and hope to reach a sufficient scale of operations. To achieve this aim, the Group will continue to enlarge its client base, develop more varieties of financial products e.g. setting up new funds and conducting overseas market trading. To seize the opportunities coming from the economic reforms in Mainland China, the Group has conducted several feasibility studies including exploring co-investment partners or investors and registration in the new special economic zone.

Gained from the experience of the trial runs, the Group will continue to expand and improve the operations of the trading of chemical products by putting more resources on it. For further diversification, the Group will seek to expand its trading activities into other attractive products and trading platform.

In order to cope with our expansion in financial services, the Group will continue to recruit experienced talents, at local or overseas, in the financial industry to further improve our business management and operations.

ACQUISITION AND DISPOSALS

There was no material acquisition or disposal during the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, cash and bank balances in general accounts maintained by the Group were approximately HK$58.5 million, representing a decrease of 10.7% from approximately HK$65.5 million as at 31 December 2012. Balances in trust and segregated accounts were approximately HK$7.2 million (31 December 2012: HK$8.0 million). Trade and other receivables and prepayments were approximately HK$45.7 million as at the end of the Year (31 December 2012: HK$37.2 million), which mainly represented increased receivables from asset management services and increased trade volume arising from business of securities brokerage. Trade and other payables and accruals have increased from approximately HK$13.7 million as at 31 December 2012 to approximately HK$18.6 million as at the end of the Year, which was also attributable to the increased trade volume arising from business of securities brokerage. During the Year, the Group had also been provided with a HK$30.0 million loan from its major shareholder, which was recorded in the Group's current liabilities. 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$111.4 million (31 December 2012: HK$110.6 million) and approximately HK$48.8 million (31 December 2012: HK$13.8 million) respectively. The Group has no bank borrowings as at 31 December 2013. The gearing of the Group, measured as total debts to total assets, remained healthy at approximately 25.1% as at 31 December 2013 despite increasing from approximately 0% as at 31 December 2012. At the end of the Year, the Group recorded net assets of approximately HK$70.5 million as compared with approximately HK$104.8 million as at 31 December 2012, with the decrease largely due to the loss recorded during the Year. During the Year, the Group financed its operations with internally generated cash flow, funds from the disposal of the Group's trading of telecommunication equipment business in December 2012 and the aforementioned shareholder's loan.

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

There has been no change to the capital structure of the Group during the Year.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2013, the obligations under finance leases of approximately HK$70,000 were pledged by the assets with carrying amount of HK$102,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, the Group employed approximately 42 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 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 38, was appointed as an executive Director in May 2009 and was also appointed as the chairman of the Board 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. Wu Siu Lam, William, aged 50, was appointed as an executive Director in December 2012 and was further appointed as the chief executive officer ("CEO") of the Company in September 2013. Mr. Wu is responsible for the overall financial and business operations and management of the Group. 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.

Ms. Kwong Wai Man, Karina, aged 44, was 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 is the executive director of Zhong Fa Zhan Holdings Limited and was an executive director and chief financial officer of Kai Yuan Holdings Limited, companies whose shares are listed on The Stock Exchange of Hong Kong Limited (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 the Hong Kong Securities and Investment Institute.

NON-EXECUTIVE DIRECTOR

Mr. Xu Guocai, aged 60, was appointed as a non-executive Director in September 2013. Mr. Xu held senior management positions in several state-owned enterprises mainly engaging in energy industry for over 30 years and gained extensive experience in operations, human resources and management in energy business.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Kwok Keung, aged 47, was appointed as an independent non-executive Director 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 shares of which are listed on 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. Lo Ka Wai, aged 45, was appointed as an independent non-executive Director in March 2014. Mr. Lo has over 20 years experience in financial management and corporate finance gained from working as a chief financial officer and/or a company secretary for various listed companies in Hong Kong. Currently, Mr. Lo is an executive director of National United Resources Holdings Limited and Pearl River Tyre (Holdings) Limited and an independent non-executive director of Yusei Holdings Limited, the shares of all of which are listed on the main board of the Stock Exchange. Mr. Lo is also a chief financial officer of a company, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange. Mr. Lo graduated from the University of Wollongong, Australia with a bachelor degree in commerce. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.

Mr. Qi Wenju, aged 41, 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.

Mr. Wu Fred Fong, aged 66, was appointed an independent non-executive Director in March 2014. Mr. Wu has considerable experience in auditing, corporate planning, investment, consulting and finance with public companies in Canada and Hong Kong. Mr. Wu holds a master of business administration degree from The Schulich School of Business, York University in Canada. Mr. Wu is a chartered accountant qualified in Canada and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu has substantial directorship and corporate governance experience. Currently he is the independent non-executive director of Minth Group Limited and China Public Procurement Limited, the shares of both of which are listed on the Stock Exchange.

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 Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules during the Year except for the following deviations:

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Lam Kam Tong, a former independent non-executive Director, was unable to attend the annual general meeting of the Company held on 23 May 2013 due to his unavoidable business engagement.

Under the Code provision E.1.2, the chairman of the board should attend the annual general meeting. However, in the annual general meeting held on 23 May 2013, our chairman was unable to attend the meeting as she had other business commitments. She appointed Mr. Yip Kar Hang, Raymond, a former executive Director and chief executive officer of the Company, 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 DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in November 2013 which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and other qualities. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

BOARD OF DIRECTORS

As at 31 December 2013, the Board comprised three executive Directors, one non-executive Director 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. Wu Siu Lam, William *(CEO)*
Ms. Kwong Wai Man, Karina
Mr. Yip Kar Hang, Raymond *(CEO) (resigned on 1 September 2013)*

Non-executive Director

Mr. Xu Guocai *(appointed on 19 September 2013)*

Independent Non-executive Directors

Mr. Cheung Kwok Keung
Mr. Lo Ka Wai *(appointed on 5 March 2014)*
Mr. Qi Wenju
Mr. Wu Fred Fong *(appointed on 1 March 2014)*
Mr. Lam Kam Tong *(resigned on 1 March 2014)*

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

Name	Meetings attended/ Eligible to attend
Executive Directors	
Ms. Lin Min	12/12
Mr. Wu Siu Lam, William	12/12
Ms. Kwong Wai Man, Karina	13/13
Mr. Yip Kar Hang, Raymond *(resigned on 1 September 2013)*	8/8
Non-executive Director	
Mr. Xu Guocai *(appointed on 19 September 2013)*	4/4
Independent Non-executive Directors	
Mr. Cheung Kwok Keung	12/12
Mr. Lam Kam Tong *(resigned on 1 March 2014)*	12/12
Mr. Qi Wenju	12/12

During the Year, one general meeting was held. Details of the Directors' attendance records were as follows:–

Name	Meetings attended/ Eligible to attend
Executive Directors	
Ms. Lin Min	0/1
Mr. Wu Siu Lam, William	1/1
Ms. Kwong Wai Man, Karina	1/1
Mr. Yip Kar Hang, Raymond *(resigned on 1 September 2013)*	1/1
Non-executive Director	
Mr. Xu Guocai *(appointed on 19 September 2013)*	0/0
Independent Non-executive Directors	
Mr. Cheung Kwok Keung	1/1
Mr. Lam Kam Tong *(resigned on 1 March 2014)*	0/1
Mr. Qi Wenju	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 operation 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. discussion on the Group's strategies and future development;
2. renewal of the term of employment of Directors;
3. discussion on and approval of the financial results of the Group and the recommendation of any dividend;
4. reviewed the interim results of the Group for the period ended 30 June 2013;
5. reviewed the internal control system and risk management of the Group;
6. reviewed the continuing connected transaction in respect of the provision of certain investment management services;
7. approval on the closing, opening and change signatories of bank accounts;
8. approval on the extension of shareholder's loan;
9. appointment and resignation of external auditors; and
10. matters as required by laws and ordinance.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The 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 came 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 2013 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has adopted A.2.1 of the Code, the positions of the Chairman and Chief Executive Officer are held by separate persons. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. Mr. Yip Kar Hang, Raymond was the CEO of the Company. Subsequent to his resignation on 1 September 2013, Mr. Wu Siu Lam, William was appointed as the CEO of the Company. Up to the report date, the Chairman and CEO of the Company are Ms. Lin Min and Mr. Wu Siu Lam, William respectively. The Chairman leads the Board in the determination of its strategy and in achievement of its objectives and is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda. The CEO is in 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.

NON-EXECUTIVE DIRECTOR

The non-executive Director is 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").

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.

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. Lo Ka Wai (appointed on 5 March 2014), Mr. Wu Fred Fong (appointed on 1 March 2014) and Mr. Qi Wenju. During the Year, the Remuneration Committee held two meetings. The attendance of individual members was set out in the following table.

Name	Meetings attended/ Eligible to attend
Mr. Cheung Kwok Keung	2/2
Mr. Lam Kam Tong *(resigned on 1 March 2014)*	2/2
Mr. Qi Wenju	2/2

NOMINATION COMMITTEE

The Company has established the Nomination Committee 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 three independent non-executive Directors. Mr. Cheung Kwok Keung, Mr. Lo Ka Wai (appointed on 5 March 2014) and Mr. Wu Fred Fong (appointed on 1 March 2014). 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 *(resigned on 1 March 2014)*	2/2

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

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

AUDITORS' REMUNERATION

During the year ended 31 December 2013, the remunerations payable to the auditors of the Company, Deloitte Touche Tohmatsu, are set out as follows:

Services rendered	Fee payable HK$'000
Audit services	1,230
Interim review	170
Taxation services	26
Other advisory services	329

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. Lo Ka Wai (appointed on 5 March 2014), Mr. Wu Fred Fong (appointed on 1 March 2014) 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 *(resigned on 1 March 2014)*	2/2
Mr. Qi Wenju	2/2

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 the 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.

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 2013. 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 addition to dispatching circulars, notices and financial reports to shareholders, additional 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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 33 to the audited financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2013 and the state of affairs of the Group at that date are set out in the audited financial statements on pages 22 to 69.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2013.

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 2013, as extracted from the audited financial statements and restated as appropriate, is set out on page 70. 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 90% of the Group's total turnover and the largest customer accounted for approximately 27% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 100% of the Group's total purchases for the year and the largest suppliers accounted for approximately 32% of the Group's total purchases.

So far as is known to the Directors, other than those disclosed in "Continuing connected transaction" 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 the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 24 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 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 2013, no reserves are available for distribution to shareholders.

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

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

Executive Directors:

Ms. Lin Min
Mr. Wu Siu Lam, William
Ms. Kwong Wai Man, Karina
Mr. Yip Kar Hang, Raymond *(resigned on 1 September 2013)*

Non-executive Director:

Mr. Xu Guocai *(appointed on 19 September 2013)*

Independent non-executive Directors:

Mr. Cheung Kwok Keung
Mr. Lo Ka Wai *(appointed on 5 March 2014)*
Mr. Qi Wenju
Mr. Wu Fred Fong *(appointed on 1 March 2014)*
Mr. Lam Kam Tong *(resigned on 1 March 2014)*

In accordance with Article 86(2) of the Company's Bye-Laws, Mr. Xu Guocai, Mr. Lo Ka Wai and Mr. Wu Fred Fong were appointed as Directors by the Board to fill the casual vacancies, will hold office only until the forthcoming annual general meeting and being eligible, offers themselves for re-election.

In accordance with Article 87(1) of the Company's Bye-Laws, Ms. Lin Min and Mr. Cheung Kwok Keung shall retire by rotation from office. Mr. Xu Guocai, Mr. Lo Ka Wai and Mr. Wu Fred Fong, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Ms. Lin Min and Mr. Cheung Kwok Keung wish to retire and will not offer themselves for re-election at the forthcoming annual general meeting.

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' INTERESTS

At 31 December 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, 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, were as follows:

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

Name of Directors	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Ms. Lin Min *(Note)*	Interest of spouse	405,154,800	25.13%
Mr. Wu Siu Lam, William	Beneficial owner	152,677	0.01%

Note: 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.

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. Wu Siu Lam, William	Beneficial owner	10,000,000	10,000,000
Ms. Kwong Wai Man, Karina	Beneficial owner	11,000,000	11,000,000
Mr. Cheung Kwok Keung	Beneficial owner	600,000	600,000
Mr. Lam Kam Tong *(Note)*	Beneficial owner	600,000	600,000
Mr. Qi Wenju	Beneficial owner	600,000	600,000

Note: Mr. Lam Kam Tong was resigned on 1 March 2014.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executive of the Company 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' 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 2013, 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 of the Company, 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 shareholders	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Front Riches *(Note 1)*	Beneficial owner	405,154,800	25.13%
Tse Dik Chi	Beneficial owner	200,000,000	12.41%
King Lion Group Limited *(Note 2)*	Beneficial owner	158,500,000	9.83%

Notes:

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

(2) King Lion Group Limited is wholly owned by Smart Chant Limited which in turn is wholly owned by Mr. Gao Yongzhi.

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 2013.

CONTINUING CONNECTED TRANSACTION

As disclosed in the announcement and circular of the Company dated 16 September 2011, 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 Chairman 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") (the "Continuing Connected Transaction").

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 years ended 31 December 2011, 31 December 2012 and 31 December 2013 were HK$454,000, HK$2,388,000 and HK$6,910,000 respectively.

The Company's auditor was engaged to report on the Continuing Connected Transaction 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 Transaction. 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, Lo Ka Wai, Qi Wenju and Wu Fred Fong, reviewed the above Continuing Connected Transaction and confirmed that it was 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 on pages 8 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 27 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 Listing Rules. 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 by-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2013.

CHARITABLE CONTRIBUTIONS

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

AUDIT COMMITTEE

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Audit Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the 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 2013 have been reviewed by the Audit Committee. The Audit Committee comprises four members namely, Mr. Cheung Kwok Keung (Chairman), Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Remuneration Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the 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 four independent non-executive Directors namely, Mr. Cheung Kwok Keung (Chairman), Mr. Lo Ka Wai, Mr. Qi Wenju and Mr. Wu Fred Fong.

NOMINATION COMMITTEE

On 1 March 2014, Mr. Lam Kam Tong resigned and Mr. Wu Fred Fong was appointed as a member of the Nomination Committee. On 5 March 2014, Mr. Lo Ka Wai was appointed as a member of the Nomination Committee.

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises one executive Director namely Ms. Lin Min (Chairman), and three independent non-executive Directors namely, Mr. Cheung Kwok Keung, Mr. Lo Ka Wai and Mr. Wu Fred Fong.

AUDITORS

The audited consolidated financial statements for the year ended 31 December 2013 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

11 March 2014

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 69, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other 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 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

11 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Revenue	6	62,136	7,251
Other income	8	4	4
Purchase of inventories for trading business		(48,358)	–
Salaries, commission and related benefits		(36,475)	(38,911)
Depreciation		(1,315)	(1,441)
Finance costs	9	(727)	(1,775)
Other expenses		(15,356)	(14,779)
Loss before taxation		(40,091)	(49,651)
Taxation	10	(155)	(81)
Loss for the year from continuing operations		(40,246)	(49,732)
Discontinued operations			
Profit for the year from discontinued operations	11	–	651
Loss for the year	12	(40,246)	(49,081)
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statements of foreign operations that may be subsequently reclassified to profit or loss		67	401
Reclassification adjustment for the cumulative gain included in profit or loss upon disposal of foreign operations		–	(1,925)
Total comprehensive income (expense) for the year		67	(1,524)
Total comprehensive expense for the year attributable to owners of the Company		(40,179)	(50,605)
Loss per share	15		
From continuing and discontinued operations			
Basic and diluted		HK$(0.02)	HK$(0.03)
From continuing operations			
Basic and diluted		HK$(0.02)	HK$(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**2,972**	2,995
Trading rights	*17*	**3,322**	3,322
Statutory deposits	*18*	**1,705**	1,705
		7,999	8,022
Current assets			
Trade and other receivables and prepayments	*19*	**45,749**	37,193
Bank balances (trust and segregated accounts)	*20*	**7,171**	7,964
Bank balances (general accounts) and cash	*20*	**58,485**	65,482
		111,405	110,639
Current liabilities			
Trade and other payables and accruals	*21*	**18,550**	13,700
Obligations under finance leases			
– due within one year	*22*	**37**	37
Tax liabilities		**236**	81
Loan from a shareholder	*23*	**30,000**	–
		48,823	13,818
Net current assets		**62,582**	96,821
Total assets less current liabilities		**70,581**	104,843
Capital and reserves			
Share capital	*24*	**161,201**	161,201
Share premium and reserves		**(90,653)**	(56,428)
		70,548	104,773
Non-current liability			
Obligations under finance leases			
– due after one year	*22*	**33**	70
		70,581	104,843

The consolidated financial statements on pages 22 to 69 were approved and authorised for issue by the Board of Directors on 11 March 2014 and are signed on its behalf by:

Lin Min	**Wu Siu Lam, William**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	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 January 2012	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 financial statements 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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(40,246)**	**(40,246)**
Exchange differences arising on translation of financial statements of foreign operations	**–**	**–**	**–**	**–**	**67**	**–**	**–**	**–**	**67**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**67**	**–**	**–**	**(40,246)**	**(40,179)**
Equity settled share-based payment	**–**	**–**	**–**	**5,954**	**–**	**–**	**–**	**–**	**5,954**
Lapsed of share options	**–**	**–**	**–**	**(5,256)**	**–**	**–**	**–**	**5,256**	**–**
At 31 December 2013	**161,201**	**174,173**	**7,834**	**16,233**	**93**	**477**	**–**	**(289,463)**	**70,548**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Loss for the year		**(40,246)**	(49,081)
Adjustments for:			
Taxation		**155**	81
Interest expense		**727**	1,775
Interest income		**(4)**	(64)
Depreciation of property, plant and equipment		**1,315**	2,804
Gain on disposal of subsidiaries		**–**	(2,322)
Share options expense		**5,954**	8,423
Operating cash flows before movements in working capital		**(32,099)**	(38,384)
Increase in trade and other receivables and prepayments		**(8,556)**	(47,147)
Decrease (increase) in bank balances (trust and segregated accounts)		**793**	(6,796)
Increase in trade and other payables and accruals		**4,850**	16,423
Cash used in operations		**(35,012)**	(75,904)
Interest received		**4**	64
Interest paid		**(727)**	(516)
NET CASH USED IN OPERATING ACTIVITIES		**(35,735)**	(76,356)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,292)**	(2,072)
Acquisition of trading rights		**–**	(500)
Increase in statutory deposits		**–**	(1,500)
Disposal of subsidiaries	*25*	**–**	41,619
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(1,292)**	37,547
FINANCING ACTIVITIES			
Loan from a shareholder		**30,000**	–
Repayment of obligations under finance leases		**(37)**	(37)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**29,963**	(37)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,064)**	(38,846)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**65,482**	104,019
Effect of foreign exchange rate changes		**67**	309
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**58,485**	65,482
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances (general accounts) and cash		**58,485**	65,482

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"). 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 trading of chemical products, provision of 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 25. The telecommunication equipment segment was discontinued during the year ended 31 December 2012.

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")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year.

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRS 7 Disclosures – Offsetting financial assets and financial liabilities

The Group has applied the amendments to HKFRS 7 "Disclosures – Offsetting financial assets and financial liabilities" for the first time in the current year. The amendments to HKFRS 7 require entities to disclose information about:

(a) recognised financial instruments that are set off in accordance with HKAS 32 "Financial instruments: presentation"; and

(b) recognised financial instruments that are subject to an enforceable master netting agreement or similar agreement, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The amendments to HKFRS 7 have been applied retrospectively. The application of the amendments has had no material impact on the amounts reported in the Group's consolidated financial statements but has resulted in more disclosures relating to the Group's offsetting arrangements. Detailed disclosures are set out in note 26.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) INT–12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the Group's investments in accordance with the requirements of HKFRS 10. The directors of the Company concluded that there was no impact to the Group's results for the adoption of HKFRS 10.

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

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. 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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

New and revised HKFRSs in issue but not yet effective

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 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

Amendments to HKAS 32 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 directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements.

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.

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 at the end of each reporting period, 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 and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 assets or liabilities 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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.

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 assets 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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

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.

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 recognised 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes 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 items are translated at the average exchange rates for the year, 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 operation (e.g. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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. Taxable profit differs from the amount as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and 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 each 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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.

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.

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

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 impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when 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.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

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 immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, 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, 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.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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 and loan from a shareholder disclosed in notes 22 and 23 respectively, and the equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

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.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2013 **HK$'000**	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**112,000**	111,399
Financial liabilities		
Amortised cost	**46,780**	12,804

5. FINANCIAL INSTRUMENTS *(Continued)*

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 loan from a shareholder. 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 and loan from a shareholder. 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 interest rate risk relating to variable-rate bank balances is insignificant.

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 2013 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 2013, the Group had concentration of credit risk as 94% (2012: 95%) of the loans to securities margin clients were due from the Group's five largest customers (2012: the 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 2013.

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

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

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$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 2013 HK$'000
2013						
Trade and other payables	–	16,780	–	–	16,780	16,780
Obligations under finance leases	0.7	18	19	33	70	70
Loan from a shareholder	3.5	30,525	–	–	30,525	30,000
		47,323	19	33	47,375	46,850

	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$'000	Total carrying amounts at 2012 HK$'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

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 recognised in the consolidated financial statements approximate their fair values.

6. REVENUE

	2013 HK$'000	2012 HK$'000
Continuing operations		
Trading of chemical products	48,539	–
Commission and brokerage income and interest income from securities brokerage and financial services	6,064	4,691
Asset management services	7,533	2,560
	62,136	7,251

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.

The Group's operating segments, based on information reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment are as follows:

1. Trading of chemical products.

2. Securities brokerage and financial services.

3. 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. In prior year, the relevant discontinued operation segment was presented as a separate reportable segment. Information regarding the above reportable and operating segments is reported below.

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

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

Continuing operations

	Trading of chemical products		Securities brokerage and financial services		Asset management services		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REVENUE								
External sales	**48,539**	–	**6,064**	4,691	**7,533**	2,560	**62,136**	7,251
Inter-segment sales	**–**	–	**–**	–	**6,135**	5,089	**6,135**	5,089
Segment revenue	**48,539**	–	**6,064**	4,691	**13,668**	7,649	**68,271**	12,340
Elimination							**(6,135)**	(5,089)
							62,136	7,251
RESULTS								
Segment results	**(1,880)**	–	**(7,058)**	(7,963)	**1,860**	(1,927)	**(7,078)**	(9,890)
Other income							**4**	4
Share options expense							**(5,954)**	(8,423)
Corporate expenses							**(26,336)**	(29,567)
Finance costs							**(727)**	(1,775)
Loss before taxation							**(40,091)**	(49,651)

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.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

Continuing operations

	Trading of chemical products		Securities brokerage and financial services		Asset management services		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**438**	–	**51,312**	49,402	**5,794**	1,129	**57,544**	50,531
Bank balances (general accounts) and cash							**58,485**	65,482
Other assets							**3,375**	2,648
Consolidated total assets							**119,404**	118,661
LIABILITIES								
Segment liabilities	**40**	–	**16,760**	9,461	**193**	–	**16,993**	9,461
Tax liabilities							**236**	81
Loan from a shareholder							**30,000**	–
Other liabilities							**1,627**	4,346
Consolidated total liabilities							**48,856**	13,888

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

- All assets are allocated to operating segments other than 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 tax liabilities, loan from a shareholder and other liabilities including other payables and accruals in relation to corporate administration costs.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

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

Continuing operations

	Trading of chemical products HK$'000	Securities brokerage and financial services HK$'000	Asset management services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 31 December 2013					
Additions to property, plant and equipment	**349**	**265**	**–**	**678**	**1,292**
Depreciation of property, plant and equipment	**2**	**1,124**	**–**	**189**	**1,315**
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

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

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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**62,136**	7,251	**6,294**	6,317

Note: Non-current assets excluded statutory deposits.

7. SEGMENT INFORMATION *(Continued)*

Information about major customers

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

	2013 HK$'000	2012 HK$'000
Customer A[1]	**16,964**	–
Customer B[1]	**15,679**	–
Customer C[1]	**8,018**	–
Customer D[1]	**7,878**	–
Customer E[2]	**7,483**	2,489
Customer F[3]	**N/A[4]**	920
Customer G[3]	**N/A[4]**	720

1 Revenue from trading of chemical products.
2 Revenue from asset management services.
3 Revenue from securities brokerage and financial services.
4 The 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

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest on other borrowings	**25**	–
Interest on loan from a shareholder	**702**	–
Effective interest expense on convertible notes	**–**	1,775
	727	1,775

10. TAXATION

Amount represents the Hong Kong Profits Tax charge for the years ended 31 December 2013 and 2012.

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

Under the law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25%. No provision for taxation in PRC has been made as the PRC subsidiary incurred loss for the years ended 31 December 2013 and 2012.

10. TAXATION *(Continued)*

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Loss before taxation (from continuing operations)	**(40,091)**	(49,651)
Taxation at the Hong Kong Profits Tax rate of 16.5%	**(6,615)**	(8,192)
Tax effect of income not taxable for tax purpose	**(181)**	(11)
Tax effect of expenses not deductible for tax purpose	**4,526**	5,573
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(56)**	(1)
Tax effect of tax losses not recognised	**2,481**	2,712
Taxation for the year	**155**	81

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$46,123,000 (2012: HK$31,087,000) 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. Tax losses may be carried forward indefinitely.

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 operation. The disposal was completed on 24 December 2012. The profit for the year from the discontinued operations was analysed as follows.

	2013 HK$'000	2012 HK$'000
Loss of trading of telecommunication equipment operation for the year	**–**	(1,671)
Gain on disposal of trading of telecommunication equipment operation *(note 25)*	**–**	2,322
	–	651

11. DISCONTINUED OPERATIONS *(Continued)*

The results of trading of telecommunication equipment operation for the year, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2013 HK$'000	2012 HK$'000
Revenue	–	76,113
Other income	–	478
Purchase of inventories for trading business	–	(71,456)
Salaries, commission and related benefits	–	(719)
Depreciation	–	(1,363)
Other administrative expenses	–	(4,724)
Loss before taxation	–	(1,671)
Taxation	–	–
Loss for the period	–	(1,671)
Loss for the period from discontinued operations included the following:		
Rental income	–	(418)

For the year ended 31 December 2012, the Disposal Group contributed approximately HK$13,488,000 to the Group's net operating cash out flows and paid HK$1,863,000 in respect of investing activities. The Disposal Group had not contributed to the Group's financing activities for the year.

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in note 25.

12. LOSS FOR THE YEAR

	Continuing operations		Discontinued operations		Consolidated	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Loss for the year has been arrived at after charging (crediting):						
Auditor's remuneration	1,240	1,050	–	–	1,240	1,050
Depreciation of property, plant and equipment	1,315	1,441	–	1,363	1,315	2,804
Operating lease payments in respect of rented properties	3,783	3,457	–	1,968	3,783	5,425
Staff costs (including directors' remuneration):						
Salaries and allowances and benefits	29,708	29,532	–	710	29,708	30,242
Retirement benefit scheme contributions	813	956	–	9	813	965
Share options expense	5,954	8,423	–	–	5,954	8,423
	36,475	38,911	–	719	36,475	39,630
Bank interest income	(4)	(4)	–	(60)	(4)	(64)

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

Directors' and the chief executive's emoluments

For the year ended 31 December 2013

	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share options expense HK$'000	Total 2013 HK$'000
Executive directors						
Lin Min		200	5,201	15	–	5,416
Wu Siu Lam, William	*(i)*	67	1,500	82	1,489	3,138
Kwong Wai Man, Karina	*(ii)*	200	1,579	95	149	2,023
Yip Kar Hang, Raymond	*(iii)*	133	2,426	90	–	2,649
Non-executive director						
Xu Guocai	*(iv)*	170	–	–	–	170
Independent non-executive directors						
Cheung Kwok Keung		200	–	–	–	200
Lam Kam Tong	*(v)*	200	–	–	–	200
Qi Wenju	*(vi)*	200	–	–	89	289
Total emoluments		1,370	10,706	282	1,727	14,085

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

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

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
Wu Siu Lam, William	*(i)*	–	90	–	–	90
Kwong Wai Man, Karina	*(ii)*	183	1,540	88	1,206	3,017
Yip Kar Hang, Raymond	*(iii)*	200	3,500	134	1,409	5,243
Independent non-executive directors						
Cheung Kwok Keung		200	–	–	77	277
Lam Kam Tong	*(v)*	200	–	–	77	277
Qi Wenju	*(vi)*	95	–	–	–	95
Chan Chi On, Derek	*(vii)*	105	–	–	63	168
Total emoluments		1,183	10,330	236	3,972	15,721

Notes:

(i) Director appointed on 4 December 2012

(ii) Director appointed on 1 February 2012

(iii) Director resigned on 1 September 2013

(iv) Director appointed on 19 September 2013

(v) Director resigned on 1 March 2014

(vi) Director appointed on 12 July 2012

(vii) Director resigned on 12 July 2012

Before 1 September 2013, 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. After 1 September 2013, Wu Siu Lam, William 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, 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.

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

Employees' emoluments

Of the five highest paid individuals of the Group, four (2012: three) are directors, details of the emoluments are set out in above. The emoluments of the remaining one highest paid individual (2012: two) were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**20**	3,251
Retirement benefit scheme contributions	**8**	101
Share options expense	**2,234**	724
	2,262	4,076

Their emoluments were within the following bands:

	2013 No. of employees	2012 No. of employees
HK$2,000,001 to HK$2,500,000	**1**	2

During the year, 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.

14. DIVIDEND

No dividend was paid or proposed during 2013 and 2012, nor has any dividend been proposed since the end of the reporting period.

15. 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:

	2013 HK$'000	2012 HK$'000
Loss for the purposes of basic and diluted loss per share	**(40,246)**	(49,081)

15. LOSS PER SHARE *(Continued)*

For continuing and discontinued operations *(Continued)*

	Number of shares 2013	2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,612,012,911**	1,478,138,785

The computation of diluted loss per share from continuing and discontinued operations for the year does not assume the exercise of share options 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:

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company	**(40,246)**	(49,081)
Effect of profit for the year from discontinued operations	**–**	(651)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(40,246)**	(49,732)

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

From discontinued operations

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

	2013 HK$'000	2012 HK$'000
Profit for the year from discontinued operations	**–**	651
Profit per share from discontinued operations attributable to owners of the Company		
Basic and diluted	**N/A**	HK$0.0004

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

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 January 2012	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
Additions	222	420	650	1,292
At 31 December 2013	2,214	3,857	1,018	7,089
DEPRECIATION AND IMPAIRMENT				
At 1 January 2012	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
Provided for the year	457	730	128	1,315
At 31 December 2013	1,991	1,905	221	4,117
CARRYING VALUES				
At 31 December 2013	223	1,952	797	2,972
At 31 December 2012	458	2,262	275	2,995

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 carrying value of furniture, fixtures and equipment of HK$1,952,000 (2012: HK$2,262,000) includes an amount of HK$102,000 (2012: HK$131,000) in respect of assets held under finance leases.

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

	2013 **HK$'000**	2012 HK$'000
Trade receivables arising from the business of securities brokerage		
– Cash clients	**–**	15
– Hong Kong Securities Clearing Company Limited ("HKSCC")	**7,588**	1,600
	7,588	1,615
Loans to securities margin clients	**29,609**	32,049
Trade receivables from asset management services	**5,683**	1,083
Other receivables and prepayments	**2,869**	2,446
	45,749	37,193

Trade receivables are aged within 30 days based on invoice date at the end of the reporting period.

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 2013 and 2012. The directors will follow up the trade receivables that had been over the settlement terms.

The Group offsets certain trade receivable and trade payable 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. Details are set out in note 26.

Loans to securities margin clients are repayable on demand and bear interest from 8% to 13% (2012: 8% to 13%) per annum. In the opinion of the directors of the Company, 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$201,227,000 (2012: HK$107,061,000). The average percentage of collateral over the outstanding balance as at 31 December 2013 ranged from 193% to 1778% (2012: from 157% to 1846%). 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.

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

Trade receivables from asset management services

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

	2013 **HK$'000**	2012 HK$'000
0 to 30 days	**5,640**	1,059
31 to 60 days	**13**	3
61 to 90 days	**30**	21
	5,683	1,083

The trade receivables from asset management services is overdue as at 31 December 2013 and 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.

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% (2012: 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% (2012: 0.001%) per annum.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2013 HK$'000	2012 HK$'000
Trade payables arising from the business of securities brokerage and financial services		
– cash clients	14,346	4,137
– futures clients	304	36
– HKSCC	–	18
	14,650	4,191
Amounts due to securities margin clients	12	5,287
Other payables and accruals	3,888	4,222
	18,550	13,700

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. Included in the trade payables of cash and futures clients arising from the business of securities brokerage and financial services, amount of HK$14,284,000 (2012: HK$4,059,000) bears prevailing market deposit rate at 0.001% (2012: 0.001%) per annum.

Amounts due to securities margin clients are repayable on demand and interest free. In the opinion of the directors of the Company, 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$7,171,000 (2012: HK$7,964,000) 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 operation of the Group.

22. OBLIGATIONS UNDER FINANCE LEASES

	2013 HK$'000	2012 HK$'000
Analysed for reporting purposes as:		
Current liabilities	37	37
Non-current liabilities	33	70
	70	107

22. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**37**	38	**37**	37
In more than one year but not more than two years	**33**	38	**33**	38
In more than two years but not more than five years	**–**	32	**–**	32
	70	108	**70**	107
Less: Future finance charges	**–**	(1)	**N/A**	N/A
Present value of lease obligations	**70**	107	**70**	107
Less: Amount due for settlement within one year (shown under current liabilities)			**(37)**	(37)
Amount due for settlement after one year			**33**	70

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

23. LOAN FROM A SHAREHOLDER

The loan is borrowed from Front Riches Investments Limited ("Front Riches"). Amount is unsecured and carries interest at 3.5% per annum. On 22 January 2014, the Group repaid HK$20,000,000 of the loan to the shareholder. Remaining amount of HK$10,000,000 will be repaid on 30 June 2014.

24. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each 2013	2012	Nominal value 2013 HK$'000	2012 HK$'000
Authorised:				
At beginning and end of the year	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the year	**1,612,012,911**	1,178,402,911	**161,201**	117,840
Conversion of convertible notes *(note)*	**–**	433,610,000	**–**	43,361
At end of the year	**1,612,012,911**	1,612,012,911	**161,201**	161,201

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.

25. 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

25. DISPOSAL OF SUBSIDIARIES *(Continued)*

	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 prior year is disclosed in note 11.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that are offset in the Group's consolidated statement of financial position. The Group currently has a legally enforceable right to set off the trade receivables arising from the business of securities brokerage and the trade payables arising from the business of securities brokerage and financial services that are due to be settled on the same date or with the same customer and the Group intends to settle these balances on a net basis.

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not offset in the consolidated statement of financial position Collateral pledged HK$'000	Net amount HK$'000
As at 31 December 2013					
Financial assets by counterparty					
Trade receivables from:					
– Cash clients *(note 1)*	**7,422**	**(7,422)**	**–**	**–**	**–**
– Loan to securities margin clients	**29,618**	**(9)**	**29,609**	**(29,609)**	**–**
– HKSCC *(note 2)*	**14,992**	**(7,404)**	**7,588**	**–**	**7,588**
Total	**52,032**	**(14,835)**	**37,197**	**(29,609)**	**7,588**
As at 31 December 2012					
Financial assets by counterparty					
Trade receivables from:					
– Cash clients *(note 1)*	528	(513)	15	(15)	–
– Loan to securities margin clients	32,287	(238)	32,049	(32,049)	–
– HKSCC *(note 2)*	2,255	(655)	1,600	–	1,600
Total	35,070	(1,406)	33,664	(32,064)	1,600

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING *(Continued)*

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not offset in the consolidated statement of financial position Collateral pledged HK$'000	Net amount HK$'000
As at 31 December 2013					
Financial liabilities by counterparty					
Trade payables to:					
– Cash clients *(note 1)*	**21,768**	**(7,422)**	**14,346**	**–**	**14,346**
– Futures clients *(note 1)*	**304**	**–**	**304**	**–**	**304**
– Amounts due to securities margin clients	**21**	**(9)**	**12**	**–**	**12**
– HKSCC *(note 2)*	**7,404**	**(7,404)**	**–**	**–**	**–**
Total	**29,497**	**(14,835)**	**14,662**	**–**	**14,662**
As at 31 December 2012					
Financial liabilities by counterparty					
Trade payables to:					
– Cash clients *(note 1)*	4,650	(513)	4,137	–	4,137
– Futures clients *(note 1)*	36	–	36	–	36
– Amounts due to securities margin clients	5,525	(238)	5,287	–	5,287
– HKSCC *(note 2)*	673	(655)	18	–	18
Total	10,884	(1,406)	9,478	–	9,478

Notes:

(1) Under the agreement signed between the Group and the customers, money obligations receivable and payable with the same customer are settled on net basis.

(2) Under the Continuous Net Settlement, money obligations receivable and payable with HKSCC on the same settlement date are settled on net basis.

26. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING *(Continued)*

The tables below reconcile the "Net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position", as set out above, to the line items presented in the consolidated statement of financial position.

	2013 HK$'000	2012 HK$'000
Trade and other receivables and prepayments		
Net amount of trade receivables as stated above	37,197	33,664
Amount not in scope of offsetting disclosures	8,552	3,529
Total amount of trade and other receivables and prepayments as stated in note 19	45,749	37,193
Trade and other payables and accruals		
Net amount of trade payables as stated above	14,662	9,478
Amount not in scope of offsetting disclosures	3,888	4,222
Total amount of trade and other payables and accruals as stated in note 21	18,550	13,700

The gross amounts of the recognised financial assets and financial liabilities and their net amounts as presented in the Group's consolidated statement of financial position, both of which have been disclosed in the above tables, are measured at amortised cost.

The amounts which have been offset against the related recognised financial assets and financial liabilities in the Group's consolidated statement of financial position are measured on the same basis as the recognised financial assets and financial liabilities.

27. 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 16 September 2011, the Company can grant 117,840,291 share options to the Qualified Persons, until the next time of refreshment. At the annual general meeting of the Company, dated 23 May 2013, the Company passed the resolution that the Company can grant 161,201,291 share options to the Qualified Persons until the next time of refreshment.

27. SHARE OPTIONS SCHEME *(Continued)*

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 Person; 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.

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

					Number of options						
Grantee	Date of grant	Exercise price HK$ *(note 1)*	Vesting period	Exercisable period	Outstanding at 1 January 2012	Transfer in (out)	Lapsed during the year	Outstanding at 31 December 2012	Granted during the year	Lapsed during the year	Outstanding at 31 December 2013
Executive directors:											
Lin Min	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	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
Wu Siu Lam, William *(note 2)*	24.7.2013	0.365	N/A	24.7.2013 to 24.7.2016	–	–	–	–	10,000,000	–	10,000,000
Kwong Wai Man, Karina *(note 3)*	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	–	4,000,000	–	4,000,000	–	–	4,000,000
	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	–	–	6,000,000
	24.7.2013	0.365	N/A	24.7.2013 to 24.7.2016	–	–	–	–	1,000,000	–	1,000,000
Yip Kar Hang, Raymond *(note 4)*	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	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)	–
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)	–	–	–	–
	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

27. SHARE OPTIONS SCHEME *(Continued)*

Grantee	Date of grant	Exercise price HK$ *(note 1)*	Vesting period	Exercisable period	Number of options: Outstanding at 1 January 2012	Transfer in (out)	Lapsed during the year	Outstanding at 31 December 2012	Granted during the year	Lapsed during the year	Outstanding at 31 December 2013
Lam Kam Tong *(note 5)*	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
Qi Wenju *(note 6)*	24.7.2013	0.365	N/A	24.7.2013 to 24.7.2016	–	–	–	–	600,000	–	600,000
Chan Chi On, Derek *(note 7)*	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	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)	–	–	–	–
Employees in aggregate	25.8.2009	1.587	N/A	25.8.2009 to 24.8.2012	3,080,700	–	(3,080,700)	–	–	–	–
	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	18,120,000	(4,000,000)	(7,800,000)	6,320,000	–	(2,280,000)	4,040,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	27,180,000	(6,000,000)	(11,700,000)	9,480,000	–	(3,420,000)	6,060,000
	24.7.2013	0.365	N/A	24.7.2013 to 24.7.2016	–	–	–	–	18,400,000	–	18,400,000
Other grantees *(note 8)*	25.8.2011	0.560	N/A	25.8.2011 to 25.8.2021	1,200,000	–	–	1,200,000	–	–	1,200,000
	25.8.2011	0.560	25.8.2011 to 24.8.2012	25.8.2012 to 25.8.2021	1,800,000	–	–	1,800,000	–	–	1,800,000
	24.7.2013	0.365	N/A	24.7.2013 to 24.7.2016	–	–	–	–	10,000,000	–	10,000,000
					84,718,900	–	(34,818,900)	49,900,000	40,000,000	(16,700,000)	73,200,000
Exercisable at the end of the year								49,900,000			73,200,000

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) Wu Siu Lam, William appointed as executive director on 4 December 2012.

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

(4) Yip Kar Hang, Raymond resigned as executive director on 1 September 2013.

(5) Lam Kam Tong resigned as independent non-executive director on 1 March 2014.

(6) Qi Wenju appointed as independent non-executive director on 12 July 2012.

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

27. SHARE OPTIONS SCHEME *(Continued)*

Notes: (continued)

(8) Other grantees represent independent consultants who have provided consultancy services to the Group. In the opinion of the directors of the Company, these share options were granted to the consultants for rendering consulting services to the Group, including but not limited to identifying potential investment opportunities and lining-up business connections for the Group. The Group granted share options to them for recognising their efforts. Since their services are such unique that the fair value cannot be reliably measured, the services received are measured by reference to the fair value of share options granted.

On 24 July 2013, the Company granted 40,000,000 share options. The share options granted are vested immediately.

The closing price of the Company's shares immediately before 24 July 2013 was HK$0.365.

The Binomial model has been used to estimate the fair value of the options as at the grant date, 24 July 2013. The fair value of the options determined at the date of grant using the Binomial model was HK$5,954,000.

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

Grant date share price	HK$0.365
Exercise price	HK$0.365
Expected life	3 years
Expected volatility	70.68%
Dividend yield	0%
Risk-free interest rate	0.517%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three 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$5,954,000 (2012: HK$8,423,000) for the year ended 31 December 2013 in relation to share options granted by the Company.

28. 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:

	2013 HK$'000	2012 HK$'000
Within one year	6,296	1,952
In the second to fifth year inclusive	10,536	–
	16,832	1,952

Leases are negotiated for a term of three (2012: two) years and rentals are fixed for the lease terms.

The Group as lessor

For the year ended 31 December 2012, property rental income earned from discontinued operations was approximately HK$418,000.

29. 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:

	2013 HK$'000	2012 HK$'000
Within one year	64	127
In the second to fifth year inclusive	–	64
	64	191

30. 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 profit or loss and other 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 profit or loss and other comprehensive income of HK$813,000 (2012: HK$965,000) represents contributions paid to the schemes by the Group at rates specified in the rules of the schemes.

31. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2012, the holder of convertible notes with principal amount of HK$60,018,000 had converted the convertible notes into 433,610,000 Company's shares. Details were disclosed in note 24.

32. RELATED PARTY TRANSACTIONS

Except the loan from a shareholder as set out in the consolidated statement of financial position on page 23 and note 23, the Group has entered into the following related party transactions.

(a) During the year ended 31 December 2012, the Company recognised interest expenses on convertible notes of HK$1,775,000 which are held by Front Riches, a shareholder of the Group.

(b) During the year ended 31 December 2013, the Company recognised interest expense on loan from Front Riches of HK$702,000.

(c) During the year ended 31 December 2013, the Group recognised management fee income on asset management of approximately HK$6,910,000 (2012: HK$2,388,000) from Sheng Yuan China Growth Fund (the "Fund") in which Ms. Lin Min, the Chairman 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 92% (2012: 100%) of the participating shares in the Fund as at 31 December 2013.

(d) Compensation of key management personnel.

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

	2013 HK$'000	2012 HK$'000
Fees, salaries and other short-term employee benefits	**12,076**	11,513
Retirement benefit scheme contributions	**282**	236
Share options expense	**1,727**	3,972
	14,085	15,721

The remunerations of directors are determined having regard to the performance of individuals and market trends.

33. 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		Principal activities
				2013	2012	
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$65,000,000	100%	100%	Securities brokerage, margin financing and financial services
Sheng Yuan Investment Advisors Limited	Hong Kong	Hong Kong	HK$5,000,000	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
Sheng Yuan Resources Limited	Hong Kong	Hong Kong	HK$37,000,000	100%	100%	Trading and investment holding company

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

FINANCIAL SUMMARY

	Year ended 30 April 2010 HK$'000 (restated)	2011 HK$'000 (restated)	Period from 1 May 2011 to 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	**2013 HK$'000**
RESULTS					
Revenue	7,782	19,776	1,697	7,251	**62,136**
Loss before taxation	(19,359)	(13,070)	(37,856)	(49,651)	**(40,091)**
Taxation	–	–	–	(81)	**(155)**
Loss for the year	(19,359)	(13,070)	(37,856)	(49,732)	**(40,246)**

	Year ended 30 April 2010 HK$'000	2011 HK$'000	Period ended 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	**2013 HK$'000**
ASSETS AND LIABILITIES					
Total assets	44,389	175,042	160,607	118,661	**119,404**
Total liabilities	(54,223)	(57,816)	(69,941)	(13,888)	**(48,856)**
	(9,834)	117,226	90,666	104,773	**70,548**