盛源控股有限公司
SHENG YUAN HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 851

2014 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wu Siu Lam, William
Ms. Cheng Kit Sum, Clara

NON-EXECUTIVE DIRECTOR

Mr. Xu Guocai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Ka Wai
Mr. Qi Wenju
Mr. Wu Fred Fong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Qi Wenju *(Chairman)*
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
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183 Queen's Road East
Hong Kong

REGISTERED OFFICE

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Bermuda

PRINCIPAL OFFICE IN HONG KONG

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Tower 1, Times Square
1 Matheson Street
Causeway Bay, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

SOLICITOR

Troutman Sanders
34th Floor, Two Exchange Square
8 Connaught Place Central, Hong Kong

PRINCIPAL BANKERS

The Hong Kong & Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2014 (the "Year"), revenue of the Group increased to HK$414.6 million, as compared with approximately HK$62.1 million for the year ended 31 December 2013 (the "Comparable Year"), which is largely attributable to the rapid growth in income from trading business and securities brokerage and financial services during the Year. Loss for the Year was approximately HK$5.0 million as compared with loss of approximately HK$40.2 million for the Comparable Year. Such reduction in loss was mainly due to the net profit contributed by securities brokerage; placing and underwriting services and asset management services of approximately HK$19.9 million.

During the Year, the financial services group of the Company has undergone significant changes. On 9 April 2014, Sheng Yuan Financial Services Group Limited ("SYFS"), a direct wholly-owned subsidiary of the Company, entered into a subscription agreement with several subscribers, pursuant to which the subscribers conditionally agreed to subscribe for and SYFS conditionally agreed to issue convertible bonds at an aggregate consideration of HK$45 million (the "SYFS Convertible Bonds"). Upon full conversion of the SYFS Convertible Bonds at the conversion price, a total of 4,500 conversion shares of SYFS (the "SYFS Conversion Shares") will be issued, representing approximately 81.8% of the existing issued share capital of SYFS and 45% of the issued share capital of SYFS as enlarged by the issue of the SYFS Conversion Shares. Upon full conversion of the SYFS Convertible Bonds, the Company's equity interest in SYFS will be reduced to approximately 55% and SYFS will become a non-wholly-owned subsidiary of the Company. The SYFS Convertible Bonds were issued in June 2014. Upon completion, two subscribers, namely WisePublic Holdings Limited and Li Gang (Collectively the "Guarantors") (who hold SYFS Convertible Bonds with an aggregate amount of HK$25 million) executed and delivered to SYFS and the Company the deed of profit guarantee, pursuant to which, the Guarantors guaranteed that the audited consolidated profits, or where applicable, the accumulated audited consolidated profits after taxation of the SYFS group for each of (i) the financial year ended 31 December 2014, (ii) the two financial years ending 31 December 2015 and (iii) the three financial years ending 31 December 2016 shall be not less than zero, HK$20,000,000 and HK$50,000,000, respectively. Furthermore, Ms. Zhang Xiaomei, Mr. Wang Shengkun and Mr. Chen Bai Cao, being the directors of WisePublic Holdings Limited, joined as the management of the SYFS group.

During the Year, the revenue from securities brokerage and financial services increased to HK$57.3 million as compared with approximately HK$6.1 million for the Comparable Year. Such increase in revenue was mainly due to significant growth in income receivable by Sheng Yuan Securities Limited ("SYSL") by acting as one of the bookrunners for the public offering of shares of Shengjing Bank (the "Shengjing Project"). The estimate revenue from the Shengjing Project was approximately HK$52.4 million. The segment profit from securities brokerage and financial services for the Year was approximately HK$38.0 million (Comparable Year: loss of HK$7.1 million).

For asset management, the Group has closed down Sheng Yuan China Growth Fund in July 2014 for cost and efficiency considerations and such fund is currently undergoing liquidation. Therefore, the Group recorded a revenue and segment loss of approximately HK$2.2 million and HK$5.3 million respectively for asset management business (Comparable Year: revenue of HK$13.7 million and profit of HK$1.9 million). During the Year, Sheng Hua Financial Stable Growth Investment Fund SP (the "Sheng Hua Fund") was established with the fund size of approximately US$ 200 million. Since the Sheng Hua Fund was set up near the year end, the Group expected the revenue from the Sheng Hua Fund would be reflected in the next financial year.

In order to provide a new stream of income for financial business, the Group also commenced the proprietary trading business in June 2014 and mainly invested in listed shares in Hong Kong secondary market and private investment fund. The segment loss from proprietary trading business for the Year was approximately HK$11.0 million due to the staff costs and administrative costs incurred, and the change in fair value of held for trading investments in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

In order to diversify business development, SYFS has tried to explore more market opportunities in financial business. During the Year, SYFS has set up a wholly owned subsidiary in Shenzhen to capture the business opportunities and build up a stronger customers base for financial business in Mainland China.

For the trading business, the growth was rather steady for the Year. In order to build up a trading platform and improve the operational structure of trading business, the Group was actively seeking the chances in trading new products like crude oil, minerals, food products and etc. Hence, it is believed that the foundation of the trading business was further strengthened during the Year. Revenue for the trading business was substantially increased to approximately HK$355.0 million from approximately of HK$48.5 million for the Comparable Year as the Group has started commodity trading in nonferrous metals and fuel oil during the Year. As the profit margin of such commodity trading was rather slim, the segment profit for trading business for the Year was approximately HK$0.009 million (Comparable Year: loss of HK$1.9 million).

In October 2014, the Group has completed its acquisition of approximately 24.975% equity interest in Xin Hua (Daqing) Merchandise Exchange Company Limited (新華(大慶)商品交易所有限公司, "XHME"), a merchandise exchange company established under the laws of the PRC on 11 November 2011 and approved by the Department of Commerce of Heilongjiang Province, the PRC. XHME is engaged in the operation of an electronic merchandise exchange platform for commodity goods trading, which provides trading, clearing financing and logistics services to suppliers and purchasers on the electronic trading platform. The Group's results include the Group's share of XHME's results for the period from 23 October 2014 to 31 December 2014. During the last quarter of 2014, XHME has experienced a change of its management team which unavoidably affected its operations and results. Nevertheless, its impact to the Group's financial results for the year ended 31 December 2014 was considered less than significant. The Group remains confident to the performance of XHME in the future.

For recruiting experienced talents for our trading business, the Company and Rotaland Limited (the "Consultant") entered into a consultancy agreement (the "Consultancy Agreement") on 19 June 2014, pursuant to which the Company engaged the Consultant to provide marketing and introduction services advice and guidance to support the Group's business expansion and development (the "Consultancy Services") for a fixed term of three years. As the consideration for the Consultancy Services, the Company has conditionally granted to the Consultant an option, at a nominal consideration of HK$1.00, to subscribe for a total of 140,000,000 shares of the Company (the "Shares") at an exercise price of HK$0.25 per option share exercisable from the date of the Consultancy Agreement up to the third anniversary of the date of the Consultancy Agreement upon the achievement of certain performance target by a subsidiary of the Company. Details of the Consultancy Agreement are set out in the announcement of the Company dated 19 June 2014.

PROSPECTS

The economic environment in 2015 will remain challenging. It is expected that the US Federal Reserve will raise interest rates during the year of 2015 with the slow down of Mainland China's economic growth. However, the Group is still able to seek opportunities from the growing of financial market together with the development of new varieties of financial products in Mainland China. The Group will continue to focus on the development of financial services and aim to reach sufficient scale of operations. To achieve this goal, the Group will focus on high net worth clients, continue to strengthen its customer base and develop a wider range of financial products (e.g. establishment of new funds).

In order to grasp the opportunities from economic reforms of Mainland China and meet the needs of domestic enterprises of Mainland China to participate in overseas capital markets, the Group has set up a branch in Shenzhen as well as a professional team to capture such rare business opportunities. The Group will also spend more resources to expand and enhance the operational capacity of our professional team in Hong Kong and China.

MANAGEMENT DISCUSSION AND ANALYSIS

For 2015, the commodity market is facing oversupply, demand slowdown and the fluctuation of foreign exchange rate. With developed supply chains to reduce the overall risk, the Group is confident to achieve a viable growth on the trading business in this year. The Group will concentrate on its core trading business and cautiously expand the scale and geographical spread of its business through organic growth and investment in selective acquisitions with great potential. With the advantages in the financial sector, the Group will also communicate well with the banks and consortium on sourcing of fund and expect to provide our customers with greater value-added services.

MATERIAL ACQUISITIONS AND DISPOSALS

For further diversification of the business of the Group, on 11 September 2014, the Company entered into an acquisition agreement with World Tycoon Limited ("World Tycoon"), pursuant to which the Company conditionally agreed to purchase and World Tycoon conditionally agreed to sell the entire issued share capital of Regington International Limited which indirectly owns 24.975% equity interest in XHME at a consideration of up to HK$194,805,000 (the "Acquisition"). The consideration shall be fully satisfied by the issue of up to 397,561,224 Shares (equivalent to 795,122,448 Shares after share-subdivision) by the Company to World Tycoon to settle the consideration of which 119,268,367 Shares (equivalent to 238,536,734 Shares after share-subdivision) was issued after completion of the Acquisition on 22 October 2014 and 278,292,857 shares (equivalent to 556,585,714 Shares after share-subdivision) will be issued after profit target of XHME has been fulfilled. The Acquisition was completed on 22 October 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, cash and bank balance (excluding trust and segregated accounts) maintained by the Group was approximately HK$94.5 million, representing an increase of 61.5% from approximately HK$58.5 million as at 31 December 2013. Balances in trust and segregated accounts were approximately HK$10.5 million (31 December 2013: HK$7.2 million). Trade and other receivables and prepayments were approximately HK$249.9 million as at the end of the Year (31 December 2013: HK$45.7 million), which mainly represented increased receivables from securities brokerage and financial services and trading business. Held for trading investments was approximately HK$71.9 million (31 December 2013: Nil). Trade and other payables and accruals have increased from approximately HK$18.6 million as at 31 December 2013 to approximately HK$22.7 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 issued convertible bonds at the total principal amount of HK$180 million.

The Group's current assets and current liabilities as at the end of the Year were approximately HK$427.7 million (31 December 2013: HK$111.4 million) and approximately HK$180.3 million (31 December 2013: HK$48.8 million) respectively. The borrowings as at 31 December 2014 amounted to HK$154.9 million (31 December 2013: HK$30 million) due to increase in collateralised borrowings. The gearing of the Group, measured as total debts to total assets, increased to approximately 54.7% as at 31 December 2014 from approximately 25.1% as at 31 December 2013. At the end of the Year, the Group recorded net assets of approximately HK$214.2 million as compared with approximately HK$70.5 million as at 31 December 2013. During the Year, the Group financed its operations with funds from issuance of convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL RAISING AND USE OF PROCEEDS

ISSUE OF SYFS CONVERTIBLE BONDS

The gross proceeds from the issuance of SYFS Convertible Bonds were approximately HK$45 million, and it was intended to apply the gross proceeds from issuance of SYFS Convertible Bonds as the general working capital of the SYFS Group. The gross proceeds were applied in a manner consistent with the circular dated 16 May 2014.

ISSUE OF SYHL BONDS

Pursuant to subscription agreements entered into by the Company on 5 November 2014 and 19 December 2014, the Company issued convertible bonds with aggregate principal amount of HK$135,000,000 ("SYHL Bonds"), to five individual subscribers on 19 November 2014 and 30 December 2014. The SYHL Bonds entitled the holders to convert them into ordinary shares of the Company at an initial conversion price of HK$0.70 per share of the Company (or HK$0.35 per share after share-subdivision) at any time before the third anniversary date of the initial issue date. The SYHL Bonds bear interests at 8% per annum except that during the second and third anniversary period, no interest shall be accrued to the holders when the average closing price in respect of the Company's share for the last 30 consecutive trading days before the second anniversary of the initial issue date and the SYHL Bonds maturity date exceed HK$1.00 and HK$1.10 per share of the Company (or HK$0.50 and HK$0.55 per share after share-subdivision) respectively.

The net proceeds of the issue of the SYHL Bonds, after deduction of expenses, were approximately HK$134.7 million. It was intended that the Company should use at least HK$100,000,000 out of the net proceeds from the issue of the SYHL Bonds as investment capital or general working capital of the Company for business development of the SYFS Group and the remaining net proceeds as general working capital for the Group. Up to the reporting date, the net proceeds were applied in a manner consistent with the announcements dated 6 November 2014 and 19 December 2014.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars, United States dollars ("USD"), and Renminbi ("RMB"). During the Year, the Group used foreign exchange forward contracts to manage the Group's currency exposure in relation to foreign currency receivables. As of 31 December 2014, the Group held outstanding commitments to sell RMB for USD under foreign exchange forward contracts of approximately US$15.2 million.

CAPITAL STRUCTURE

During the Year, 4,600,000 Shares were issued by exercise of share options.

In order to facilitate the issue of the consideration shares for the acquisition of XHME and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future, the Directors put forward a proposal to increase the authorised share capital of the Company from HK$200,000,000 to HK$400,000,000 at the special general meeting held on 15 October 2014. The resolutions were duly passed at the special general meeting held 15 October 2014 and the Company issued 119,268,367 Shares (equivalent to 238,536,734 Shares after share-subdivision) after the completion of the acquisition on 22 October 2014.

In order to reduce the trading spread and improve the liquidity in the trading of the Shares, the Board proposed to subdivide each existing issued and unissued Share of HK$0.10 each in the share capital of the Company into two subdivided Shares of HK$0.05 each. The resolution was duly passed in a special general meeting held on 29 December 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2014, the obligations under finance leases of approximately HK$32,000 were pledged by the assets with net carrying amount of HK$74,000.

As at 31 December 2014, the collateralised borrowings at the amount of HK$154.9 million mainly represented the amount of financing obtained from factoring the Group's bills receivables amounting to HK$156.3 million.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed some 50 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 DIRECTOR

Mr. Wu Siu Lam, William, aged 51, was appointed as an executive Director in December 2012 and was further appointed as the chief executive officer 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. Cheng Kit Sum, Clara, aged 43, was appointed as an executive Director in June 2014 and the chief financial officer of the Company in August 2014. Ms. Cheng is responsible for the overall financial and administrative functions and corporate governance of the Group. Ms. Cheng has over 20 years of professional and senior managerial experiences in legal compliance, corporate financial planning and management. Ms. Cheng has been holding senior positions in listed companies in Hong Kong since 2000. She also worked for First Shanghai Capital Limited and PricewaterhouseCoopers. Ms. Cheng holds a bachelor's degree in accountancy from the Hong Kong Polytechnic University. She is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

NON-EXECUTIVE DIRECTOR

Mr. Xu Guocai, aged 61, 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.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. Lo Ka Wai, aged 46, 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 Han Tang International Holdings Limited (formerly known as "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 42, 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 67 was appointed as 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 code on corporate governance practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31 December 2014 except the following deviations:

The Code provision A.2.1 stipulates that the role of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Although the Company does not have a chairman, all major decisions are made in consultation with the Board members and the senior management of the Company. There are three independent non-executive directors in the Board. The Board considers that there is sufficient balance of power and the current arrangement maintains a strong management position of the Company.

Under the Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Cheung Kwok Keung, a former independent non-executive Director, was unable to attend the annual general meeting of the Company held on 25 April 2014 due to his unavoidable business engagement. Mr. Xu Guocai, a non-executive Director, and Mr. Qi Wenju, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 25 April 2014 and special general meetings held respectively on 6 June 2014, 15 October 2014 and 29 December 2014 due to their 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 25 April 2014, Ms. Lin Min, a former chairman, was unable to attend the meeting as she had other business commitments. Ms. Lin appointed Mr. Wu Siu Lam, William, an 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 OF DIRECTORS

As at 31 December 2014, the Board comprised two 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

Mr. Wu Siu Lam, William *(CEO)*
Ms. Cheng Kit Sum, Clara (appointed on 1 June 2014)
Ms. Lin Min (retired on 25 April 2014)
Ms. Kwong Wai Man, Karina (resigned on 1 August 2014)

NON-EXECUTIVE DIRECTOR

Mr. Xu Guocai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lo Ka Wai (appointed on 5 March 2014)
Mr. Qi Wenju
Mr. Wu Fred Fong (appointed on 1 March 2014)
Mr. Cheung Kwok Keung (retired on 25 April 2014)
Mr. Lam Kam Tong (resigned on 1 March 2014)

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

Name		Meetings attended/ Eligible to attend
Executive Directors		
Mr. Wu Siu Lam, William		27/27
Ms. Cheng Kit Sum, Clara	*(appointed on 1 June 2014)*	17/17
Ms. Lin Min	*(retired on 25 April 2014)*	7/8
Ms. Kwong Wai Man, Karina	*(resigned on 1 August 2014)*	15/15
Non-executive Director		
Mr. Xu Guocai		27/27
Independent Non-executive Directors		
Mr. Lo Ka Wai	*(appointed on 5 March 2014)*	24/24
Mr. Qi Wenju		27/27
Mr. Wu Fred Fong	*(appointed on 1 March 2014)*	25/25
Mr. Cheung Kwok Keung	*(retired on 25 April 2014)*	7/8
Mr. Lam Kam Tong	*(resigned on 1 March 2014)*	1/2

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

Name		Meetings attended/ Eligible to attend
Executive Directors		
Mr. Wu Siu Lam, William		3/5
Ms. Cheng Kit Sum, Clara	*(appointed on 1 June 2014)*	3/3
Ms. Lin Min	*(retired on 25 April 2014)*	0/1
Ms. Kwong Wai Man, Karina	*(resigned on 1 August 2014)*	2/2
Non-executive Director		
Mr. Xu Guocai		0/5
Independent Non-executive Directors		
Mr. Lo Ka Wai	*(appointed on 5 March 2014)*	5/5
Mr. Qi Wenju		0/5
Mr. Wu Fred Fong	*(appointed on 1 March 2014)*	5/5
Mr. Cheung Kwok Keung	*(retired on 25 April 2014)*	0/1
Mr. Lam Kam Tong	*(resigned on 1 March 2014)*	0/0

The Board 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.

CORPORATE GOVERNANCE REPORT

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

1. renewal of the term of employment of directors;

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

3. reviewed the interim results of the Group for the period ended 30 June 2014;

4. amendment to the bye-laws of the Company;

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

6. approval on issuance of convertible bonds;

7. approval on the extension of shareholder's loan;

8. grant options to a consultant and staff;

9. acquisition of 24.975% Xin Hua (Daqing) Merchandise Exchange Company Limited and issuance of consideration shares;

10. approval on refreshment of general mandate and share-subdivision;

11. adoption of share option scheme; and

12. 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 come into effect on 1 April 2012. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the financial year ended 31 December 2014 to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has not adopted A.2.1 of the Code by appointing separate individual to take up the roles of the chairman and chief executive officer. In the absence of a chairman, the executive Directors will be responsible for the management of the Board and ensure good corporate governance practices will be implemented.

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-law of the Company (the "Bye-Law").

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-Law.

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. Wu Fred Fong (Chairman), Mr. Lo Ka Wai and Mr. Qi Wenju. During the Year, the Remuneration Committee held five meetings. The attendance of individual members was set out in the following table.

Name		**Meetings attended/ Eligible to attend**
Mr. Wu Fred Fong	*(appointed on 1 March 2014)*	4/4
Mr. Lo Ka Wai	*(appointed on 5 March 2014)*	3/3
Mr. Qi Wenju		5/5
Mr. Cheung Kwok Keung	*(retired on 25 April 2014)*	2/2
Mr. Lam Kam Tong	*(resigned on 1 March 2014)*	0/1

NOMINATION COMMITTEE

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

1) to review the structure, size and composition of the Board and make recommendations for changes as necessary, to identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships, to assess the independence of independent non-executive Directors, and to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the CEO. The Nomination Committee should meet at least once a year and when the need arises.

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

It currently consists of three independent non-executive Directors namely Mr. Qi Wenju (Chairman), Mr. Lo Ka Wai and Mr. Wu Fred Fong. During the Year, the Nomination Committee held three meetings. The attendance of individual members was set out in the following table.

Name		**Meetings attended/ Eligible to attend**
Mr. Qi Wenju		1/1
Mr. Lo Ka Wai	*(appointed on 5 March 2014)*	1/1
Mr. Wu Fred Fong	*(appointed on 1 March 2014)*	2/2
Ms. Lin Min	*(retired on 25 April 2014)*	2/2
Mr. Cheung Kwok Keung	*(retired on 25 April 2014)*	2/2
Mr. Lam Kam Tong	*(resigned on 1 March 2014)*	0/1

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

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the remunerations payable to the auditor of the Company, BDO Limited, are set out as follows:

Services rendered	**Fee payable** HK$'000
Audit services	1,250

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. Lo Ka Wai (Chairman), Mr. Qi Wenju and Mr. Wu Fred Fong. 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. Lo Ka Wai	*(appointed on 5 March 2014)*	2/2
Mr. Wu Fred Fong	*(appointed on 1 March 2014)*	2/2
Mr. Qi Wenju		2/2
Mr. Cheung Kwok Keung	*(retired on 25 April 2014)*	1/1
Mr. Lam Kam Tong	*(resigned on 1 March 2014)*	0/0

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.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties including to (a) develop and review the Company's policies and practices on corporate governance; (b) review and monitor the training and continuous professional development of directors and senior management; (c) review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) develop, review and monitor the code of conduct applicable to employees and directors; and (e) review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

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 Chief Executive Officer and is responsible for advising the Board on corporate governance matters. During the 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 Company. 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 auditor of the Company, BDO Limited, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on pages 23 to 24 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 2014. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS OF THE COMPANY

Pursuant to the special resolution passed on 25 April 2014, the Company has made amendments to the Bye-laws principally include:

(a) to remove the requirements that the officers of the Company shall consist of a president and vice-president or chairman and deputy chairman;

(b) to remove the requirements that the Directors shall elect amongst the Directors a president and a vice-president or a chairman and a deputy chairman;

(c) to amend the relevant provisions of the Bye-laws such that the Directors present in a general meeting shall choose among themselves to act as chairman of such meeting; and

(d) to remove the requirement that the Company shall give notice by way of advertisement in an appointed newspaper (as such term is defined in the Bermuda Companies Act 1981) of the suspension of the registration of transfers of shares.

An updated version of the Bye-laws is available on the websites 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 2014.

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 42 to the audited financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2014 and the state of affairs of the Group at that date are set out in the audited financial statements on page 25 to 101.

The Directors did not recommend the payment of any dividend for the year ended 31 December 2014.

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 2014, as extracted from the audited financial statements and restated as appropriate, is set out on page 102. 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 98% of the Group's total turnover and the largest customer accounted for approximately 81% of the Group's total turnover.

The four largest suppliers of the Group accounted for approximately 100% of the Group's total purchases for the year ended 31 December 2014 and the largest suppliers accounted for approximately 92% of the Group's total purchases.

So far as is known to the Directors, other than those disclosed in note 35 to the consolidated financial statements, 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 30 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 24 September 2004 (the "2004 Scheme"). Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 15 October 2014, the Company adopted a new share option scheme (the "2014 Scheme"), the purpose of which is to enable the Group to grant share options to the eligible participants as incentives or rewards for their contribution to the Group. Particulars of the 2004 Scheme and the 2014 Scheme are set out in note 31 to the consolidated financial statements. No further option shall be granted under the 2004 Scheme but the options granted under the 2004 Scheme prior to its expiry shall remain valid and exercisable in accordance with the terms of the respective grants. No share option has been granted under the 2014 Scheme and the movements of the share options granted under the 2004 Scheme during the year ended 31 December 2014 were as follows:

						No of options						
Name	Date of grant	Exercise price (HK$)	Exercise price after share-subdivision (HK$)	Exercisable period	Vesting period	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Cancelled/ Lapsed during the year	Transfer in/out	Adjustment on share-subdivision	Outstanding at 31 December 2014
Wu Siu Lam, William	24 July 2013	0.3650	0.1825	24 July 2013-24 July 2016	N/A	10,000,000	–	–	–	–	10,000,000	20,000,000
Cheng Kit Sum, Clara (Note 1)	20 June 2014	0.4900	0.2450	20 June 2014-20 June 2017	N/A	–	6,000,000	–	–	–	6,000,000	12,000,000
Xu Guocai	20 June 2014	0.4900	0.2450	20 June 2014-20 June 2017	N/A	–	1,000,000	–	–	–	1,000,000	2,000,000
Lo Ka Wai (Note 2)	20 June 2014	0.4900	0.2450	20 June 2014-20 June 2017	N/A	–	1,000,000	–	–	–	1,000,000	2,000,000
Qi Wenju	24 July 2013	0.3650	0.1825	24 July 2013-24 July 2016	N/A	600,000	–	(600,000)	–	–	–	–
Wu Fred Fong (Note 3)	20 June 2014	0.4900	0.2450	20 June 2014-20 June 2017	N/A	–	1,000,000	–	–	–	1,000,000	2,000,000
Lin Min (Note 4)	25 August 2011	0.5600	0.2800	25 August 2011-25 August 2021	N/A	3,560,000	–	–	(3,560,000)	–	–	–
	25 August 2011	0.5600	0.2800	25 August 2012-25 August 2021	25 August 2011-24 August 2012	5,340,000	–	–	(5,340,000)	–	–	–
Kwong Wai Man, Karina (Note 5)	25 August 2011	0.5600	0.2800	25 August 2011-25 August 2021	N/A	4,000,000	–	–	–	(4,000,000)	–	–
	25 August 2011	0.5600	0.2800	25 August 2012-25 August 2021	25 August 2011-24 August 2012	6,000,000	–	–	–	(6,000,000)	–	–
	24 July 2013	0.3650	0.1825	24 July 2013-24 July 2016	N/A	1,000,000	–	(1,000,000)	–	–	–	–
Cheung Kwok Keung (Note 6)	25 August 2011	0.5600	0.2800	25 August 2011-25 August 2021	N/A	240,000	–	–	(240,000)	–	–	–
	25 August 2011	0.5600	0.2800	25 August 2012-25 August 2021	25 August 2011-24 August 2012	360,000	–	–	(360,000)	–	–	–
Lam Kam Tong (Note 7)	25 August 2011	0.5600	0.2800	25 August 2011-25 August 2021	N/A	240,000	–	–	(240,000)	–	–	–
	25 August 2011	0.5600	0.2800	25 August 2012-25 August 2021	25 August 2011-24 August 2012	360,000	–	–	(360,000)	–	–	–
Other grantees	25 August 2011	0.5600	0.2800	25 August 2011-25 August 2021	N/A	5,240,000	–	–	(7,400,000)	4,000,000	6,640,000	8,480,000
	25 August 2011	0.5600	0.2800	25 August 2012-25 August 2021	25 August 2011-24 August 2012	7,860,000	–	–	(11,100,000)	6,000,000	9,960,000	12,720,000
	24 July 2013	0.3650	0.1825	24 July 2013-24 July 2016	N/A	28,400,000	–	(3,000,000)	–	–	25,400,000	50,800,000
	20 June 2014	0.4900	0.2450	20 June 2014-20 June 2017	N/A	–	20,000,000	–	–	–	20,000,000	40,000,000
						73,200,000	29,000,000	(4,600,000)	(28,600,000)	–	81,000,000	150,000,000

Notes:

(1) Cheng Kit Sum, Clara was appointed as an executive Director on 1 June 2014.

(2) Lo Ka Wai was appointed as an independent non-executive Director on 5 March 2014.

(3) Wu Fred Fong was appointed as an independent non-executive Director on 1 March 2014.

(4) Lin Min retired as an executive Director on 25 April 2014.

(5) Kwong Wai Man, Karina resigned as an executive Director on 1 August 2014.

(6) Cheung Kwok Keung retired as an independent non-executive Director on 25 April 2014.

(7) Lam Kam Tong resigned as an independent non-executive Director on 1 March 2014.

DIRECTORS' REPORT

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2014 are set out in notes 16 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2014 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 December 2014, 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:

Mr. Wu Siu Lam, William
Ms. Cheng Kit Sum, Clara (appointed on 1 June 2014)
Ms. Lin Min (retired on 25 April 2014)
Ms. Kwong Wai Man, Karina (resigned on 1 August 2014)

NON-EXECUTIVE DIRECTOR:

Mr. Xu Guocai

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Lo Ka Wai (appointed on 5 March 2014)
Mr. Qi Wenju
Mr. Wu Fred Fong (appointed on 1 March 2014)
Mr. Cheung Kwok Keung (retired on 25 April 2014)
Mr. Lam Kam Tong (resigned on 1 March 2014)

In accordance with Article 86(2) of the Company's Bye-laws, Ms. Cheng Kit Sum, Clara was appointed as Director by the Board to fill the casual vacancies, will hold office until the forthcoming annual general meeting and being eligible, offers herself for re-election.

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Wu Siu Lam, William and Mr. Qi Wenju will retire at the forthcoming annual general meeting and being eligible, offers themselves for re-election.

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

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

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

At 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and convertible bonds of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

LONG POSITION IN ORDINARY SHARES OF HK$0.05 EACH OF THE COMPANY

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Mr. Wu Siu Lam,William	Beneficial owner	305,354	0.01%

LONG POSITION – SHARE OPTIONS

Name of Directors	Capacity	Number of options held	Number of underlying shares
Mr. Wu Siu Lam,William	Beneficial owner	20,000,000	20,000,000
Ms. Cheng Kit Sum, Clara	Beneficial owner	12,000,000	12,000,000
Mr. Xu Guocai	Beneficial owner	2,000,000	2,000,000
Mr. Lo Ka Wai	Beneficial owner	2,000,000	2,000,000
Mr. Wu Fred Fong	Beneficial owner	2,000,000	2,000,000

Save as disclosed above, as at 31 December 2014, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or convertible bonds 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 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 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible bonds of the Company.

LONG POSITION – ORDINARY SHARES OF HK$0.05 EACH OF THE COMPANY

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Front Riches Investments Limited (Note 1)	Beneficial owner	810,309,600	23.34%
King Lion Group Limited (Note 2)	Beneficial owner	611,000,000	17.60%
Tse Dik Chi	Beneficial owner	400,000,000	11.52%

Notes:

(1) Front Riches Investments Limited is a corporation controlled by Mr. Hu Yishi.

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

LONG POSITION – CONVERTIBLE BONDS

Name of bondholder	Capacity	Description of equity derivatives	Number of underlying shares
Huajun Capital Limited (Note 1)	Beneficial owner	3 year 8% coupon convertible bonds (Note 2)	285,714,284

Notes:

(1) Huajun Capital Limited is wholly owned by Prosperous Worldwide Investment Limited which is in turn wholly owned by Huajun Holdings Limited (formerly known as New Island Development Limited). The issued shares of Huajun Holdings Limited (formerly known as New Island Development Limited) is owned as to 62.62% by Huajun International Limited which is in turn wholly-owned by Mr. Meng Guang Bao whose spouse is Ms. Bao Le.

(2) The Company issued the 8% coupon convertible bonds at principal amounts of HK$100,000,000 and HK$35,000,000 on 19 November 2014 and 30 December 2014 with maturity dates of 18 November 2017 and 29 December 2017 respectively. The 8% coupon convertible bonds with an outstanding principal amount of HK$135,000,000 as at 31 December 2014 are convertible into shares of the Company at a conversion price of HK$0.35 (after share subdivision adjustment) per share.

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 bonds of the Company as at 31 December 2014.

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

During the year ended 31 December 2014, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company's corporate governance report is set out in pages 9 to 15 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 31 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 2014.

CHARITABLE CONTRIBUTIONS

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

AUDIT COMMITTEE

The Company has an Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The consolidated results of the Group for the year ended 31 December 2014 have been reviewed by the Audit Committee. The Audit Committee comprises three members namely Mr. Lo Ka Wai (Chairman), Mr. Qi Wenju and Mr. Wu Fred Fong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors namely, Mr. Wu Fred Fong (Chairman), Mr. Lo Ka Wai and Mr. Qi Wenju.

NOMINATION COMMITTEE

The Nomination Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Nomination Committee comprises three independent non-executive Directors namely, Mr. Qi Wenju (Chairman), Mr. Lo Ka Wai and Mr. Wu Fred Fong.

AUDITOR

Messrs. Deloitte Touche Tohmatsu ("Deloitte"), who acted as the auditor of the Company for the past three years, resigned on 21 January 2015. On 21 January 2015, BDO Limited has been appointed as the auditor of the Group to fill the casual vacancy following the resignation of Deloitte. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board
Wu Siu Lam, William
Director

31 March 2015

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF SHENG YUAN HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 101, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT

BASIS FOR QUALIFIED OPINION

Included in the consolidated statement of financial position is interest in an associate, Xinhua (Daqing) Merchandise Exchange Company Limited ("XHME"), of approximately HK$92,025,000. As stated in note 19 to the consolidated financial statements, XHME was acquired during the year and the Group applies the equity method to account for its interest in XHME. The Group's share of loss of XHME for the year ended 31 December 2014 was approximately HK$1,145,000.

During the course of our audit, we have not been able to obtain the information and explanations from the management of XHME that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of XHME's loss and other comprehensive income for the period since it was acquired and thus the carrying amount as included in the Group's consolidated statement of financial position as at 31 December 2014 were fairly stated and whether the summarised financial information of XHME as shown in note 19 to the consolidated financial statements was properly disclosed. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, 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.

BDO Limited
Certified Public Accountants
Chiu Wing Cheung Ringo
Practising Certificate No.: P04434

Hong Kong, 31 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	6	**414,588**	62,136
Other gains or losses	7	**(5,449)**	–
Other income	8	**35**	4
Purchase of inventories for trading business		**(349,007)**	(48,358)
Staff costs	10	**(35,512)**	(36,475)
Depreciation		**(1,072)**	(1,315)
Finance costs	9	**(5,080)**	(727)
Other expenses		**(19,997)**	(15,356)
Share of results of associates		**(1,156)**	–
Loss before income tax	10	**(2,650)**	(40,091)
Income tax expense	11	**(2,379)**	(155)
Loss for the year	12	**(5,029)**	(40,246)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of financial statements of foreign operations		**(365)**	67
Other comprehensive income for the year		**(365)**	67
Total comprehensive income for the year		**(5,394)**	(40,179)
Loss for the year attributable to:			
– Owners of the Company		**(5,040)**	(40,246)
– Non-controlling interests		**11**	–
		(5,029)	(40,246)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**(5,405)**	(40,179)
– Non-controlling interests		**11**	–
		(5,394)	(40,179)
			(restated)
		HK cent	HK cents
Loss per share	14		
– Basic		**(0.15)**	(1.25)
– Diluted		**(0.28)**	(1.25)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**1,961**	2,972
Trading rights	17	**3,322**	3,322
Available-for-sale investment	18	**100**	–
Interests in associates	19	**92,092**	–
Derivative financial instruments	23	**1,481**	–
Other assets	20	**1,730**	1,705
		100,686	7,999
Current assets			
Trade and other receivables and prepayments	21	**249,952**	45,749
Held for trading investments	22	**71,958**	–
Current tax assets		**156**	–
Derivative financial instruments	23	**640**	–
Trust bank balances held on behalf of clients	24	**10,542**	7,171
Cash and cash equivalents	25	**94,467**	58,485
		427,715	111,405
Current liabilities			
Trade and other payables and accruals	26	**22,717**	18,550
Borrowings	27	**154,924**	30,000
Obligations under finance leases	28	**32**	37
Derivative financial instruments	23	**203**	–
Current tax liabilities		**2,399**	236
		180,275	48,823
Net current assets		**247,440**	62,582
Total assets less current liabilities		**348,126**	70,581
Non-current liabilities			
Obligations under finance leases	28	**–**	33
Convertible bonds	29	**133,900**	–
		133,900	33
Net assets		**214,226**	70,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
EQUITY			
Share capital	30	**173,588**	161,201
Reserves	32	**22,823**	(90,653)
Equity attributable to owners of the Company		**196,411**	70,548
Non-controlling interests		**17,815**	–
Total equity		**214,226**	70,548

On behalf of the Board

Wu Siu Lam, William	**Cheng Kit Sum, Clara**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company										Non-controlling interests			
	Share capital HK$'000	Share premium* HK$'000	Shareholder's contribution* HK$'000	Capital redemption reserve* HK$'000	Convertible bond equity reserve* HK$'000	Contingent consideration reserve* HK$'000	Share option reserve* HK$'000	Currency translation reserve* HK$'000	Accumulated losses* HK$'000	Total HK$'000	Share of net assets of subsidiaries HK$'000	Convertible bond equity reserve of a subsidiary HK$'000	Total HK$'000	Total equity HK$'000
At 1 January 2013	161,201	174,173	7,834	477	–	–	15,535	26	(254,473)	104,773	–	–	–	104,773
Equity-settled share-based payment	–	–	–	–	–	–	5,954	–	–	5,954	–	–	–	5,954
Transactions with owners	–	–	–	–	–	–	5,954	–	–	5,954	–	–	–	5,954
Loss for the year	–	–	–	–	–	–	–	–	(40,246)	(40,246)	–	–	–	(40,246)
Other comprehensive income														
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	67	–	67	–	–	–	67
Total comprehensive income for the year	–	–	–	–	–	–	–	67	(40,246)	(40,179)	–	–	–	(40,179)
Forfeiture of share options	–	–	–	–	–	–	(5,256)	–	5,256	–	–	–	–	–
At 31 December 2013	161,201	174,173	7,834	477	–	–	16,233	93	(289,463)	70,548	–	–	–	70,548
At 1 January 2014	161,201	174,173	7,834	477	–	–	16,233	93	(289,463)	70,548	–	–	–	70,548
Issue of shares upon exercise of share options	460	1,904	–	–	–	–	(685)	–	–	1,679	–	–	–	1,679
Issue of convertible bonds by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	17,792	17,792	17,792
Issue of convertible bonds by the Company	–	–	–	–	34,408	–	–	–	–	34,408	–	–	–	34,408
Acquisition of subsidiaries	11,927	50,093	–	–	–	28,943	–	–	–	90,963	12	–	12	90,975
Equity-settled share-based payment	–	–	–	–	–	–	4,218	–	–	4,218	–	–	–	4,218
Transactions with owners	12,387	51,997	–	–	34,408	28,943	3,533	–	–	131,268	12	17,792	17,804	149,072
Loss for the year	–	–	–	–	–	–	–	–	(5,040)	(5,040)	11	–	11	(5,029)
Other comprehensive income														
– Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(365)	–	(365)	–	–	–	(365)
Total comprehensive income for the year	–	–	–	–	–	–	–	(365)	(5,040)	(5,405)	11	–	11	(5,394)
Forfeiture of share options	–	–	–	–	–	–	(7,074)	–	7,074	–	–	–	–	–
At 31 December 2014	173,588	226,170	7,834	477	34,408	28,943	12,692	(272)	(287,429)	196,411	23	17,792	17,815	214,226

* These accounts comprise the reserves of HK$22,823,000 (2013: negative HK$90,653,000) in the consolidated statement of financial position as at 31 December 2014.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss for the year		**(5,029)**	(40,246)
Adjustments for:			
Income tax expense		**2,379**	155
Depreciation of property, plant and equipment		**1,072**	1,315
Equity-settled share-based payment expense		**4,218**	5,954
Fair value changes on financial assets classified as held for trading		**(220)**	–
Fair value changes on financial liabilities classified as held for trading		**203**	–
Finance costs		**5,080**	727
Interest income from banks and others		**(13)**	(4)
Net losses on disposals of property, plant and equipment		**285**	–
Share of results of associates		**1,156**	–
Operating profit/(loss) before working capital changes		**9,131**	(32,099)
Increase in other assets		**(25)**	–
Increase in trade and other receivables and prepayments		**(203,786)**	(8,556)
Increase in held for trading investments		**(71,958)**	–
(Increase)/Decrease in trust bank balances held on behalf of clients		**(3,371)**	793
Increase in trade and other payables and accruals		**2,174**	4,850
Cash used in operations		**(267,835)**	(35,012)
Interest paid		**(881)**	(727)
Interest received from banks and others		**13**	4
Income tax paid		**(372)**	–
Net cash used in operating activities		**(269,075)**	(35,735)
Cash flows from investing activities			
Acquisition of assets and liabilities through acquisition of a subsidiary (net of cash and cash equivalents acquired)	33	**339**	–
Transaction cost paid on acquisition of a subsidiary	33	**(1,194)**	–
Subscription of shares in associates		**(78)**	–
Subscription of shares in an available-for-sale investment		**(100)**	–
Purchases of property, plant and equipment		**(334)**	(1,292)
Net cash used in investing activities		**(1,367)**	(1,292)
Cash flows from financing activities			
Proceeds from issue of convertible bonds		**180,000**	–
Proceeds from issue of shares upon exercise of share options		**1,679**	–
Proceeds from collateralised borrowings		**154,924**	–
(Repayment of loan)/Loan from a shareholder		**(30,000)**	30,000
Repayment of obligations under finance leases		**(38)**	(37)
Net cash generated from financing activities		**306,565**	29,963
Net increase/(decrease) in cash and cash equivalents		**36,123**	(7,064)
Cash and cash equivalents at beginning of the year		**58,485**	65,482
Effect of foreign exchange rate changes, on cash held		**(141)**	67
Cash and cash equivalents at end of the year	25	**94,467**	58,485

1. GENERAL INFORMATION

Sheng Yuan Holdings Limited (the "Company") is an exempted company with limited liability incorporated and domiciled in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is Suites 4301-5, 43/F., Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in trading business, provision of securities brokerage and financial services and asset management services. The subsidiaries also commence the proprietary trading business during the year.

The consolidated financial statements for the year ended 31 December 2014 were approved for issue by the Board on 31 March 2015.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 NEW OR AMENDED HKFRSs EFFECTIVE FOR ANNUAL PERIOD BEGINNING ON OR AFTER 1 JANUARY 2014

In the current year, the Group has applied the new standards, amendments and interpretations (the "new HKFRSs") which are effective for the Group's financial statements for the annual period beginning on 1 January 2014. HKFRSs include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

AMENDMENTS TO HKFRS 10, HKFRS 12 AND HKAS 27, INVESTMENT ENTITIES

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities, for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity, the application of the amendments had no impact on the disclosures or the amount recognised in the Group's consolidated financial statements.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 NEW OR AMENDED HKFRSs EFFECTIVE FOR ANNUAL PERIOD BEGINNING ON OR AFTER 1 JANUARY 2014 *(Continued)*

AMENDMENTS TO HKAS 32, OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group has applied the amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities, for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 36, RECOVERABLE AMOUNT DISCLOSURE FOR NON-FINANCIAL ASSETS

The Group has applied the amendments to HKAS 36, Recoverable Amount Disclosure for Non-Financial Assets, for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation technique used which are in line with the disclosure required by HKFRS 13, Fair Value Measurements.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

AMENDMENTS TO HKAS 39, NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING

The Group had applied the amendments to HKAS 39, Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designed as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

2.1 NEW OR AMENDED HKFRSs EFFECTIVE FOR ANNUAL PERIOD BEGINNING ON OR AFTER 1 JANUARY 2014 *(Continued)*

HK(IFRIC)-INT 21, LEVIES

The Group has applied HK(IFRIC)-Int 21, Levies for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by the legislation. The interpretation also provides guidance on how different levy arrangements should be accounted for.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this interpretation has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

At the date of authorisation of these financial statements, certain new or amended HKFRSs have been issued but are not yet effective. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new or amended HKFRSs that have not been adopted early by the Group but expected to have impact on the Group's accounting policies is provided below. Other new or amended HKFRSs have been issued but are not yet effective and not adopted in advance are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9, FINANCIAL INSTRUMENTS

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to introduce requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39, Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(Continued)*

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE *(Continued)*

HKFRS 9, FINANCIAL INSTRUMENTS *(Continued)*

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of financial liability that is attributable to change in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss models, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s management activities have also been introduced.

HKFRS 9 will be effective for accounting period beginning on or after 1 January 2018. The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group’s financial assets and financial liabilities. However, it is not practicable to provide reasonable estimate of the effect of HKFRS 9 until the Group undertakes a detailed review.

HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 will be effective for accounting period beginning on or after 1 January 2017. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

The financial statements on pages 25 to 101 have been prepared in accordance with HKFRSs issued by the HKICPA. The financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impact on the Group's financial statements, if any, are disclosed in note 2 to the financial statements.

The financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4 to the financial statements.

3.2 BUSINESS COMBINATION AND BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in consolidated profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amount of the acquiree's identifiable net assets. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance.

When the consideration transferred by the Group in exchange for the acquiree includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at fair value at subsequent reporting dates, with any resulting gain or loss being recognised in profit or loss or in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 BUSINESS COMBINATION AND BASIS OF CONSOLIDATION *(Continued)*

Acquisition of businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

3.3 SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights relating to the investee (held by the Group and others) are considered. For a right to be substantive, the Group must have the practical ability to exercise that right. Control is reassessed when facts and circumstances indicate that there are changes to one or more of the elements of control.

3.4 ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In consolidated financial statements, the investments in associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the post-acquisition change in the Group's share of net assets and any impairment losses relating to the investment. The Group's share of the post-acquisition, post-tax results of the investees, including any impairment losses on the investments in associates for the year, are recognised in the consolidated profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income are recognised in other comprehensive income of the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated profit or loss in the period in which the investment is acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.4 ASSOCIATES *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are immediately recognised in profit or loss.

Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3.5 FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All value are rounded to the nearest thousand except when otherwise indicated.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in currency translation reserve in equity.

On disposal of a foreign operation involving loss of control over a subsidiary or significant influence over an associate that includes a foreign operation, the cumulative exchange differences relating to that foreign operation accumulated in currency translation reserve are reclassified from equity to profit or loss as part of the gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sales of goods, the rendering of services and the use by others of the Group's assets yielding interest. Revenue is recognised, when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably, on the following bases:

(a) for commission and brokerage income, they are recognised on the transaction dates when the relevant contracts are executed;

(b) for advisory and fund and portfolio management fee income, they are recognised when the services are provided;

(c) for performance fees income, it is recognised on the performance fee valuation day of the investment funds when there is a positive performance for the relevant performance period, taking into consideration the relevant basis of calculation for the investment funds;

(d) for trading of goods and products, it is recognised when the goods and products are delivered and the customer has accepted the goods and the products;

(e) for underwriting and placing commission income, it is recognised when the obligations and terms under the agreement have been fulfilled; and

(f) for interest income, it is recognised on time-proportion basis taking into account the principal outstanding and effective interest rate applicable.

3.7 BORROWING COSTS

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised as part of the cost of that asset during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

3.8 TRADING RIGHTS

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock Exchange. Trading rights acquired separately are measured initially at cost. The cost of trading rights acquired in a business combination is its fair value at the acquisition date. After initial recognition, trading rights with indefinite useful lives are carried at cost less any accumulated impairment losses. The useful life of trading rights that is indefinite is reviewed annually to determine whether events and circumstances continue to support an indefinite useful life assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

Depreciation is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

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

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

3.10 LEASES

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

THE GROUP AS LESSEE UNDER FINANCE LEASES

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

Subsequent accounting for assets held under finance lease corresponds to those applied to comparable acquired assets. The corresponding finance lease liability is reduced by lease payments less finance charges. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

THE GROUP AS LESSEE UNDER OPERATING LEASE

Payments made under operating leases are charged to profit or loss on straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss over the lease terms as an integral part of the aggregate net lease payments made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS

(A) *FINANCIAL ASSETS*

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets under a contract whose terms that require delivery of assets within the time frame established generally by regulation or convention in the marketplace concerned. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement. On derecognition of a financial asset in its entirety, the difference between the carrying amount of assets derecognised and the sum of the consideration received and receivable is recognised in profit or loss.

Financial assets of the Group are classified under (i) loans and receivables; (ii) financial assets at fair value through profit or loss; and (iii) available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date. Financial assets are classified as current assets if they are expected to be settled within 12 months after the reporting date.

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 are measured at amortised cost using the effective interest method less any impairment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling it in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that do not qualify for inclusion in any of other category of financial assets. Subsequent to initial recognition, available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS *(Continued)*

(A) FINANCIAL ASSETS (Continued)

Impairment of financial assets

At each reporting date, loans and receivables and available-for-sale financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

(i) significant financial difficulty of the debtor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

(iv) granting concession to a debtor because of the debtor's financial difficulty; or

(v) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on available-for-sale financial assets carried at cost has been incurred, the amount of impairment losses is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial assets. The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs. Such impairment losses are not reversed in subsequent periods.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss of the financial period in which the impairment occurs. If, in a subsequent period, the amount of the impairment loss on loans and receivables decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the financial period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS *(Continued)*

(A) FINANCIAL ASSETS (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables. Where the recovery of loans and receivables is considered doubtful but not remote, the impairment losses are recorded using an allowance account. When the Group considered that recovery of receivables is remote, the amount considered irrecoverable is written off against the receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(B) FINANCIAL LIABILITIES

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs. When financial liabilities are recognised initially, they are measured at fair value, less, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

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

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

Financial liabilities of the Group are classified under (i) financial liabilities at amortised cost and (ii) financial liabilities at fair value through profit or loss. Management determines the classification of its financial liabilities at initial recognition depending on the purpose for which the financial liabilities were incurred. Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the reporting date.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS *(Continued)*

(B) FINANCIAL LIABILITIES (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing it in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with changes in fair value recognised in profit or loss. Fair value gain or loss does not include any interest paid on these financial liabilities.

(C) CONVERTIBLE BONDS

Convertible bonds issued by the Group that contain both the host liability component, conversion option component and other embedded derivatives components (such as early redemption option) which are not closely related to the host liability component are classified separately into their respective items on initial recognition.

Conversion option that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments is classified as an equity instrument. Conversion option that will be settled by the issuer other than exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments is a conversion option derivative. Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contract are not held for trading or designated as at fair value through profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, compound derivative and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the liability component is included in the carrying amount of the liability component and are amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the compound derivative is recognised in profit or loss immediately. Transaction costs relating to the equity component are recognised directly in equity.

Convertible bonds (convertible into ordinary shares of the Company) containing liability and equity components and multiple embedded derivatives

Multiple embedded derivatives are generally treated as a single compound derivative. At the date of issue, both the liability and compound derivative components are recognised at fair value. The equity component is determined by deducting the amount of the liability component and embedded derivatives from the proceeds on issuing of the convertible bonds and is included in convertible bond equity reserve within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS *(Continued)*

(C) CONVERTIBLE BONDS (Continued)

Convertible bonds (convertible into ordinary shares of the Company) containing liability and equity components and multiple embedded derivatives (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The compound derivative component is measured at fair value with changes in fair value recognised in profit or loss. The equity component will remain in convertible bond equity reserve until the conversion option is exercised (in which case the amount included in convertible bond equity reserve, the fair value of the embedded derivative component and the carrying value of the liability component at the time of conversion are transferred to share capital and share premium as consideration for the shares of the Company issued). Where the conversion option remains unexercised at the expiry dates, the balance stated in convertible bond equity reserve will be released to the retained profits and the difference between the redemption amount and the carrying amounts of the liability and the embedded derivative components is recognised in profit or loss.

Convertible bonds (convertible into ordinary shares of subsidiaries) containing liability and equity components

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds on issuing of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into ordinary shares of the subsidiary, is included in non-controlling interests within equity.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the subsidiary, will remain in non-controlling interests. When the embedded option is exercised, the carrying value of the liability component at the time of conversion is transferred to the non-controlling interests as consideration for the shares of the subsidiary issued. Where the conversion option remains unexercised at the expiry dates, the balance stated in the non-controlling interests will be released to the retained profits. No gain or loss is recognised upon conversion or expiration of the option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 FINANCIAL INSTRUMENTS *(Continued)*

(D) OFFSETTING FINANCIAL INSTRUMENTS

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

(E) 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.

3.12 ACCOUNTING FOR INCOME TAXES

Income taxes comprise current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 ACCOUNTING FOR INCOME TAXES *(Continued)*

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) the Group has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 EMPLOYEE BENEFITS

RETIREMENT BENEFITS

The Group participates in staff retirement benefit schemes for employees in Hong Kong and the People's Republic of China ("PRC"), comprising a state-managed retirement benefit scheme and a Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of these schemes are held separately from those of the Group in independently administered funds. The retirement benefit schemes are generally funded by payments from employees and the relevant group companies. The retirement benefit scheme costs charged to profit or loss represent contributions payable by the Group to the schemes.

The subsidiaries operating in the PRC are required to participate in the state-managed retirement benefit scheme for their employees, organised by the relevant local government authorities. They are required to make contributions to the retirement benefit scheme at a specified percentage of the employees' relevant income and there are no other further obligations to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 EMPLOYEE BENEFITS *(Continued)*

RETIREMENT BENEFITS *(Continued)*

The Group contributes to the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vested fully with the employees when contributed into the MPF Scheme except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

SHORT-TERM EMPLOYEE BENEFITS

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the reporting date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the reporting date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.15 SHARE-BASED PAYMENTS

EQUITY-SETTLED SHARE-BASED PAYMENTS TO EMPLOYEES

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in share option reserve within equity.

If service or non-market performance vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. At the end of the reporting period, the Group revises its estimates of the number of share 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 SHARE-BASED PAYMENTS *(Continued)*

EQUITY-SETTLED SHARE-BASED PAYMENTS TO EMPLOYEES *(Continued)*

At the time when the 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 retained profits.

EQUITY-SETTLED SHARE-BASED PAYMENTS TO NON-EMPLOYEES

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except that fair value cannot be estimated reliably, in which case the fair value are measured by reference to the fair value of the equity instruments granted, measured at the date the Group obtain the goods or received the services.

3.16 IMPAIRMENT OF OTHER ASSETS

Trading rights with an indefinite useful life are tested for impairment at least annually and whenever there is any indication that they may be impaired. Property, plant and equipment and interests in associates are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

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

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. CGU). As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs is charged pro rata to the assets in the CGUs, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal if measurable; and value in use, if determinable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.16 IMPAIRMENT OF OTHER ASSETS *(Continued)*

An impairment loss is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGUs and only to the extent that the carrying amount of the asset or the CGUs does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

3.17 RELATED PARTIES

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

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

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

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

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty at the end of the reporting period and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group's policy for impairment of trade and other receivables is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables based on, among others factors, the current creditworthiness, the collateral security and the past collection history of each debtor. Management reviews the impairment of receivables on a regular basis.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, TRADING RIGHTS AND INTERESTS IN ASSOCIATES

At each reporting date, the Company reviews internal and external sources of information to identify indications that any of the property, plant and equipment, trading rights and interests in associates may be impaired or an impairment loss previously recognised no longer exists or may have decreased. The sources utilised to identify indications of impairment are often subjective in nature and the directors of the Company is required to use judgement in applying such information to its business. Their interpretation of these information has a direct impact on whether an impairment assessment is performed as at any given reporting date.

If an indication of impairment is identified, such information is further subjected to an exercise that requires the Group to estimate the recoverable amount. Depending on the assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable amount, the Group may perform such assessment utilising internal resources or may engage external advisers in making this assessment.

Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of these assets.

CURRENT TAX AND DEFERRED TAX

The Group is mainly subjected to income tax in Hong Kong and in the PRC. Significant judgement is required in determining the amount of the provision and the timing of payment. There are many transactions and calculations for which the ultimate tax expense is uncertain during the ordinary course of business. The Group recognises taxes based on estimates of the likely outcome with reference to current tax laws and practices. Where the final outcome of these matters is different from the amounts that were originally estimated, such differences will impact the provision for income tax and deferred tax in the period in which such determination is made.

Deferred tax assets relating to certain deductible temporary differences and tax losses will be recognised when management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilised. Where the expectation is different from the originally estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the period in which such estimate is changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

EQUITY-SETTLED SHARE-BASED PAYMENT EXPENSE

The Company granted share options for goods and services. The cost of these equity-settled share-based payments is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate. Such cost is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled. The cumulative expense recognised for equity-settled share-based payment transaction at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS AND VALUATION PROCESS

Some of the Group's financial assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of the Group's financial assets and financial liabilities at fair value through profit or loss (including held for trading investments, derivative financial instruments and derivative component of convertible bonds), the Group uses market-observable data to the extent it is available. Where quoted prices in an active market are not available, the Group engages third party qualified valuers to perform the valuation. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Discussion of the valuation process and results with the chief financial officer and the audit committee is held twice a year, to coincide with the reporting dates. Detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the Group's financial assets/liabilities at fair value through profit or loss are disclosed in notes 29 and 38 to these financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, the directors are required to make judgements, apart from those involving estimations. The judgements that have been made and can significantly affect the amounts recognised in the financial statements are discussed below:

DETERMINATION OF CONTROL OVER AN INVESTMENT FUND

Management applies its judgement to determine whether the control indicators set out in note 3.3 indicate that the Group controls an investment fund.

The Group acts as fund manager to some investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the rights held by others to remove the Group as fund manager. For funds managed by the Group, the independent board of directors of these funds is able to remove the Group as fund manager without cause, despite the Group's aggregate economic interests for some case is more than 50%. As a result, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

Further details in respect of the investment funds in which the Group had an interest are disclosed in note 22 to these financial statements.

DETERMINING WHEN TWO SEPARATE FINANCIAL INSTRUMENTS ARE AGGREGATED AND TREATED AS A SINGLE FINANCIAL INSTRUMENT

The Group entered into transactions with the same parties at the same time involving two or more financial instruments. Significant judgement is required in assessing whether these financial instruments should be treated as a single instrument and the Group has developed criteria in making that judgement. Factors considered include whether (a) the contracts relate to the same risk; (b) there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not have been accomplished in a single transaction. Judgement is made on a case-by-case basis to determine whether these financial instruments should be accounted for on an aggregate basis. For the convertible bonds issued by a subsidiary of the Company and the profit guarantee provided by two of the subscribers as described in note 29, the Group had concluded that the risk is not identical and there are substantive business purpose for each of the instruments and therefore has accounted for these instruments separately.

RECOGNITION OF UNDERWRITING AND PLACING COMMISSION INCOME

The Group had entered into underwriting agreements in which the Group is committed purchase some or the entire unsubscribed portion of the securities underwritten in return for an underwriting and placing commission income. Underwriting and placing commission income is recognised when the obligations and the terms under the agreement have been fulfilled. The Group is required to exercise considerable judgement in particularly when the amount agreed to be paid to the Group is at the sole and absolute discretion of the issuer.

Where the Group is unable to determine the probable amount of commission income that would be received by the Group ultimately, the commission income is recognised to the extent that can be measured reliably. Significant changes in management's judgement in subsequent reporting period may result in material revenue adjustments in future periods.

5. SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines as follows:

(a) trading business — trading of chemical products and energy and minerals products;

(b) securities brokerage and financial services — provision of discretionary and non-discretionary dealing services for securities and futures, securities placement and underwriting services, margin financing, corporate finance advisory and general advisory services;

(c) asset management services — provision of fund management and discretionary portfolio management services; and

(d) proprietary trading — investment holding and securities trading.

No operating segments identified have been aggregated in arriving at the reportable segments of the Group. Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

2014	Trading business HK$'000	Securities brokerage and financial services HK$'000	Asset management services HK$'000	Proprietary trading HK$'000	Total HK$'000
Revenue					
From external customers	355,032	57,311	2,245	–	414,588
Reportable segment revenue	355,032	57,311	2,245	–	414,588
Reportable segment result	9	37,986	(5,328)	(10,990)	21,677
Interest income from margin financing	–	1,125	–	–	1,125
Depreciation	109	716	1	4	830
Fair value loss of held for trading investments	–	–	–	1,803	1,803
Net losses on disposals of property, plant and equipment	285	–	–	–	285
Reportable segment assets	156,601	84,393	1,207	93,643	335,844
Additions to non-current segment assets*	248	–	–	73	321
Reportable segment liabilities	154,930	20,312	1,082	97	176,421

5. SEGMENT INFORMATION *(Continued)*

2013	Trading business HK$'000	Securities brokerage and financial services HK$'000	Asset management services HK$'000	Proprietary trading HK$'000	Total HK$'000
Revenue					
From external customers	48,539	6,064	7,533	–	62,136
From other segments	–	–	6,135	–	6,135
Reportable segment revenue	48,539	6,064	13,668	–	68,271
Reportable segment result	(1,880)	(7,058)	1,860	–	(7,078)
Interest income from margin financing	–	2,469	–	–	2,469
Depreciation	2	1,124	–	–	1,126
Reportable segment assets	438	51,312	5,794	–	57,544
Additions to non-current segment assets*	349	265	–	–	614
Reportable segment liabilities	40	16,760	193	–	16,993

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that other income, equity-settled share-based payment expense; finance costs; share of results of associates accounted for using the equity method; income tax expense; and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segments. Inter-segment revenue are charged on the expenses incurred by the relevant subsidiary plus certain percentage.

Segment assets include all assets but available-for-sale investment; interests in associates; current tax assets; derivative financial instruments and bank balances of the Group. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment, which primarily applies to the Group's headquarters. Segment liabilities include all liabilities but loan from a shareholder; derivative financial instruments; current tax liabilities and convertible bonds. In addition, corporate liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5. SEGMENT INFORMATION *(Continued)*

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2014 HK$'000	2013 HK$'000
Reportable segment revenue	414,588	68,271
Elimination of inter-segment revenue	–	(6,135)
Group's revenue	414,588	62,136
Reportable segment result	21,677	(7,078)
Other income	35	4
Equity-settled share-based payment expense	(4,218)	(5,954)
Finance costs	(5,080)	(727)
Share of results of associates	(1,156)	–
Corporate expenses	(13,908)	(26,336)
Loss before income tax	(2,650)	(40,091)
Reportable segment assets	335,844	57,544
Available-for-sale investment	100	–
Interests in associates	92,092	–
Current tax assets	156	–
Derivative financial instruments	2,121	–
Cash and cash equivalents	94,467	58,485
Corporate assets	3,621	3,375
Group's assets	528,401	119,404
Reportable segment liabilities	176,421	16,993
Borrowings	–	30,000
Derivative financial instruments	203	–
Current tax liabilities	2,399	236
Convertible bonds	133,900	–
Corporate liabilities	1,252	1,627
Group's liabilities	314,175	48,856

	Reportable segment total		Unallocated		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Other material items						
Depreciation	830	1,126	242	189	1,072	1,315
Additions to non-current assets*	321	614	13	678	334	1,292

5. SEGMENT INFORMATION *(Continued)*

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets*. The geographical location of customers is based on the location at which the subsidiary operates. The geographical location of non-current assets* is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of trading rights, and the location of the operations, in the case of interests in associates.

	Revenue from external customers		Non-current assets*	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Hong Kong (domicile)#	**398,954**	62,136	**5,161**	6,294
Mainland China	**15,634**	–	**92,214**	–
	414,588	62,136	**97,375**	6,294

* Non-current assets exclude available-for-sale investment, derivative financial instruments and other assets.

\# The Company is an investment holding company incorporated in Bermuda where the Group does not have any activities. The Group has the majority of its operations in Hong Kong, and therefore, Hong Kong is considered as the Group's place of domicile for the purpose of disclosures as required by HKFRS 8, Operating Segments.

The Group's customers include the following with whom transactions have exceeded 10% of the Group's revenue:

	2014 HK$'000	2013 HK$'000
Customer A (notes 1 & 4)	**336,178**	N/A
Customer B (notes 2 & 4)	**52,402**	N/A
Customer C (notes 1 & 5)	**N/A**	16,964
Customer D (notes 1 & 5)	**N/A**	15,679
Customer E (notes 1 & 5)	**N/A**	8,018
Customer F (notes 1 & 5)	**N/A**	7,878
Customer G (notes 3 & 5)	**N/A**	7,483

Notes:

1. Revenue from these customers is attributable to trading business
2. Revenue from this customer is attributable to securities brokerage and financial services
3. Revenue from this customer is attributable to asset management services
4. Revenue attributable to these customers for the year ended 31 December 2013 is less than 10% of the Group's revenue for that year
5. Revenue attributable to these customers for the year ended 31 December 2014 is less than 10% of the Group's revenue for the year

6. REVENUE

Revenue, which is also the Group's turnover, represents:

	2014 HK$'000	2013 HK$'000
Trading of goods and products	355,032	48,539
Underwriting and placing commission income	52,402	–
Commission and brokerage income from securities and futures dealing	2,534	3,595
Fund and portfolio management fee income	2,111	2,101
Advisory fee income	1,250	–
Interest income from margin financing	1,125	2,469
Fund and portfolio performance fee income	134	5,432
	414,588	62,136

7. OTHER GAINS OR LOSSES

	2014 HK$'000	2013 HK$'000
Net foreign exchange losses	(3,378)	–
Changes in fair value of:		
– financial assets classified as held for trading	(1,583)	–
– financial liabilities classified as held for trading	(203)	–
Net losses on disposals of property, plant and equipment	(285)	–
	(5,449)	–

8. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Interest income from banks and others	13	4
Sundry income	22	–
	35	4

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Effective interest on liability component of convertible bonds	**4,199**	–
Interest on other borrowings	**567**	25
Interest on loan from a shareholder	**314**	702
	5,080	727

10. LOSS BEFORE INCOME TAX

	2014 HK$'000	2013 HK$'000
Loss before income tax is arrived at after charging:		
Auditor's remuneration	**1,230**	1,240
Minimum lease payments under operating leases in respect of land and buildings	**5,786**	3,783
Staff costs, including directors' emoluments		
– Fees, salaries, allowances and bonuses	**30,236**	29,708
– Equity-settled share-based payment expense (note 31)	**4,218**	5,954
– Retirement benefit scheme contributions	**1,058**	813
	35,512	36,475

11. INCOME TAX EXPENSE

For the years ended 31 December 2014 and 2013, Hong Kong Profits Tax was provided at the rate of 16.5% on the estimated assessable profits for the respective years.

For the years ended 31 December 2014 and 2013, no provision for PRC Corporate Income Tax has been made as the Group did not derive any assessable profits in the PRC for the respective years.

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong Profits Tax		
– Provision for current year	2,399	155
– Over provision in respect of prior years	(20)	–
Total income tax expense	2,379	155

Reconciliation between income tax expense and loss before income tax at applicable tax rate is as follows:

	2014 HK$'000	2013 HK$'000
Loss before income tax	(2,650)	(40,091)
Notional tax at Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	(437)	(6,615)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(203)	(56)
Tax effect of revenue not taxable for tax purpose	(1)	(181)
Tax effect of expenses not deductible for tax purpose	3,911	4,526
Tax effect of unused tax losses not recognised as deferred tax asset	2,891	2,481
Tax effect of prior years' unrecognised tax losses utilised this year	(4,034)	–
Tax effect of temporary differences not recognised	113	–
Tax effect of share of results of associates	191	–
Over provision in respect of prior years	(20)	–
Other differences	(32)	–
Income tax expense	2,379	155

The Group has unrecognised estimated tax losses of HK$49,495,000 (2013: HK$55,099,000) to carry forward against future taxable income. Tax losses of HK$44,734,000 (2013: HK$54,831,000) are related to certain subsidiaries operating in Hong Kong and can be carried forward indefinitely under the current tax legislation. In addition, certain subsidiaries operating in the PRC had unrecognised tax losses of HK$4,761,000 (2013: HK$268,000) which are subject to expiry period of five years from the year in which the tax loss arose. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams against which these unused tax losses can be utilised.

12. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Of the consolidated loss attributable to owners of the Company of HK$5,040,000 (2013: consolidated loss of HK$40,246,000), a loss of HK$17,598,000 (2013: loss of HK$23,011,000) has been dealt with in the financial statements of the Company.

13. DIVIDENDS

No dividend was proposed or paid during the years ended 31 December 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

14. LOSS PER SHARE

BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately HK$5,040,000 (2013: loss of approximately HK$40,246,000) and the weighted average number of 3,275,104,100 (2013: 3,224,025,822, as restated*) ordinary shares in issue during the year.

DILUTED LOSS PER SHARE

The calculation of diluted loss per share is based on the loss attributable to owners of the Company of approximately HK$9,194,000 (2013: loss of approximately HK$40,246,000) and the weighted average number of 3,275,104,100 (2013: 3,224,025,822, as restated*) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares for the year, calculated as follows:

(A) LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2014 **HK$'000**	2013 HK$'000
Loss attributable to owners of the Company	**(5,040)**	(40,246)
After tax effect of effective interest on the liability component of convertible bonds	**2,605**	–
After tax effect of fair value changes on derivative component of convertible bonds	**–**	–
Effect of earnings on conversion of convertible bonds issued by a subsidiary of the Company	**(6,759)**	–
Loss for the purpose of diluted loss per share	**(9,194)**	(40,246)

14. LOSS PER SHARE *(Continued)*

DILUTED LOSS PER SHARE *(Continued)*

(B) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2014 Number of shares	(restated*) 2013 Number of shares
Weighted average number of ordinary shares	**3,275,104,100**	3,224,025,822
Effect of exercise of share options	**–**	–
Effect of conversion of convertible bonds issued by the Company	**–**	–
Effect of issue of contingent consideration shares	**–**	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	**3,275,104,100**	3,224,025,822

On 16 July 2014, a subsidiary of the Company, Sheng Yuan Financial Services Group Limited, issued convertible bonds of HK$45 million (details are set out in note 29). Subject to attainment of certain performance target, these convertible bonds are convertible into ordinary shares of the subsidiary at a conversion price of HK$10,000, at the option of the holders of the convertible bonds, which created a potential dilutive effect to the basic loss per share. In the calculation of the diluted loss per share, the convertible bonds of HK$29,813,000 are assumed to have been converted into ordinary shares of the subsidiary.

The computation of diluted loss per share does not assume the exercise of the convertible bonds of HK$104,087,000 issued by the Company as its interest (net of tax) and other changes in profit or loss per ordinary share obtainable on conversion exceeds the basic loss per share.

The Company has outstanding share options, which were granted on 25 August 2011, 24 July 2013, 19 June 2014 and 20 June 2014 with exercise price (adjusted after share-subdivision) of HK$0.280, HK$0.183, HK$0.250 and HK$0.245 respectively. The computation of diluted loss per share does not assume an exercise of those share options since it would result in a decrease in loss per share.

The computation also does not assume the issue of the Company's contingent consideration shares of 556,585,714 (after share-subdivision) in aggregate as the relevant profit target as disclosed in note 33 has not been satisfied at the end of the reporting period.

Diluted loss per share for the year ended 31 December 2013 is the same as basic loss per share as the computation of diluted loss per share does not assume the exercise of share options since it would result in a decrease in loss per share.

* The weighted average number of ordinary shares of both years for the purposes of basic and diluted loss per share has been adjusted to reflect the effect of share-subdivision as disclosed in note 30, as if the share-subdivision had occurred on 1 January 2013.

15. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments paid and payable to the directors of the Company are as follows:

	Fees HK$'000	Salaries and allowances HK$'000	Share-based payment HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
2014					
Executive Directors					
Wu Siu Lam, William	**200**	**1,846**	**–**	**111**	**2,157**
Cheng Kit Sum, Clara (note 1)	**117**	**925**	**951**	**60**	**2,053**
Lin Min (note 2)	**64**	**1,659**	**–**	**5**	**1,728**
Kwong Wai Man, Karina (note 3)	**117**	**1,182**	**–**	**12**	**1,311**
Non-Executive Director					
Xu Guocai	**600**	**–**	**159**	**–**	**759**
Independent Non-Executive Directors					
Lo Ka Wai (note 4)	**165**	**–**	**159**	**–**	**324**
Qi Wenju	**200**	**–**	**–**	**–**	**200**
Wu Fred Fong (note 5)	**167**	**–**	**159**	**–**	**326**
Cheung Kwok Keung (note 6)	**64**	**–**	**–**	**–**	**64**
Lam Kam Tong (note 7)	**33**	**–**	**–**	**–**	**33**
	1,727	**5,612**	**1,428**	**188**	**8,955**
2013					
Executive Directors					
Wu Siu Lam, William (note i)	67	1,500	1,489	82	3,138
Lin Min	200	5,201	–	15	5,416
Kwong Wai Man, Karina (note ii)	200	1,579	149	95	2,023
Yip Kar Hang, Raymond (note iii)	133	2,426	–	90	2,649
Non-Executive Director					
Xu Guocai (note iv)	170	–	–	–	170
Independent Non-Executive Directors					
Qi Wenju	200	–	89	–	289
Cheung Kwok Keung	200	–	–	–	200
Lam Kam Tong	200	–	–	–	200
	1,370	10,706	1,727	282	14,085

15. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

DIRECTORS' EMOLUMENTS *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments in respect of the years ended 31 December 2014 and 2013.

During the year ended 31 December 2014, no emolument 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 (2013: Nil).

Notes:

1. Appointed as executive director on 1 June 2014
2. Retired as executive director on 25 April 2014
3. Resigned as executive director on 1 August 2014
4. Appointed as independent non-executive director on 5 March 2014
5. Appointed as independent non-executive director on 1 March 2014
6. Retired as independent non-executive director on 25 April 2014
7. Resigned as independent non-executive director on 1 March 2014

i. Appointed as executive director on 4 December 2012

ii. Appointed as executive director on 1 February 2012

iii. Resigned as executive director on 1 September 2013

iv. Appointed as non-executive director on 19 September 2013

15. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

EMOLUMENTS OF FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year included three (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals (2013: only individual) during the year are as follows:

	2014 HK$'000	2013 HK$'000
Salaries and allowances	**3,793**	20
Share-based payment	**2,093**	2,234
Retirement benefit scheme contributions	**177**	8
	6,063	2,262

During the year ended 31 December 2014, HK$2,275,000 was paid by the Group to the above remaining two individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2013: Nil).

The emoluments of these remaining two highest paid individuals (2013: only individual) fell within the following bands:

	Number of individuals	
	2014	2013
HK$2,000,001 – HK$2,500,000	**1**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	2	1

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2013				
Cost	1,992	3,437	368	5,797
Accumulated depreciation	(1,534)	(1,175)	(93)	(2,802)
Net carrying amount	458	2,262	275	2,995
Year ended 31 December 2013				
Opening net carrying amount	458	2,262	275	2,995
Additions	222	420	650	1,292
Depreciation	(457)	(730)	(128)	(1,315)
Closing net carrying amount	223	1,952	797	2,972
At 31 December 2013				
Cost	2,214	3,857	1,018	7,089
Accumulated depreciation	(1,991)	(1,905)	(221)	(4,117)
Net carrying amount	223	1,952	797	2,972
Year ended 31 December 2014				
Opening net carrying amount	223	1,952	797	2,972
Additions	10	137	187	334
Additions through acquisition of a subsidiary (note 33)	–	18	–	18
Disposals	(153)	(132)	–	(285)
Depreciation	(76)	(787)	(209)	(1,072)
Translation differences	(4)	(2)	–	(6)
Closing net carrying amount	–	1,186	775	1,961
At 31 December 2014				
Cost	1,991	3,853	1,205	7,049
Accumulated depreciation	(1,991)	(2,667)	(430)	(5,088)
Net carrying amount	–	1,186	775	1,961

Furniture, fixtures and equipment with net carrying amount of HK$74,000 (2013: HK$102,000) are held under finance leases.

17. TRADING RIGHTS

	2014 HK$'000	2013 HK$'000
Opening and closing net carrying amounts	**3,322**	3,322

Trading rights represent the eligibility rights to trade on or through Hong Kong Futures Exchange Limited and the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading rights are considered by the management as having an indefinite useful life because it is expected to contribute net cash inflow indefinitely. Trading rights will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment testing, the carrying amount of trading rights is allocated to the CGU which engaged in the securities brokerage and financial services.

Recoverable amount for the CGU was determined based on value-in-use calculation. The calculation use cash flow projections based on financial budgets approved by management covering a 1-year period, and discount rate of 14%. Cash flows beyond the 1-year period are extrapolated for 4 years using a zero growth rate. The zero growth rate is determined based on management's expectations for the market development and is not expected to exceed the average long-term growth rate for the relevant industry. The discount rates used are pre-tax and reflect specific risks relating to the relevant segment. Apart from the considerations described in determining the value in use of the CGU above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates.

18. AVAILABLE-FOR-SALE INVESTMENT

	2014 HK$'000	2013 HK$'000
Unlisted equity securities	**100**	–

The Group's unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

19. INTERESTS IN ASSOCIATES

	2014 HK$'000	2013 HK$'000
Share of net assets	**48,718**	–
Goodwill	**43,374**	–
	92,092	–

19. INTERESTS IN ASSOCIATES *(Continued)*

Particulars of the principal associate as at 31 December 2014 are as follows:

Name	Country of incorporation	Particulars of paid-up capital	Percentage of interest held by the Group	Principal activities and place of operation
Xinhua (Daqing) Merchandise Exchange Company Limited# ("XHME")	PRC	RMB85,714,286	24.975* (2013: Nil)	Operation of an electronic merchandise exchange platform for commodity goods trading in the PRC

The Group is principally engaged in trading business, proprietary trading and the provision of securities brokerage and financial services and asset management services. XHME is engaged in the operation of an electronic merchandise exchange platform for commodity goods trading, which provides trading, clearing financing and logistics services to suppliers and purchasers on the electronic trading platform. The investment in XHME represents an opportunity with earning potentials from the electronic merchandise exchange platform for commodity goods trading, and it is in line with business strategy of the Group to diversify the Group's business portfolio and broaden the income base. XHME is an unlisted corporate entity whose quoted market price is not available.

* acquired during the year
# not audited by BDO Limited

The following tables illustrate the financial information of XHME extracted from its unaudited management accounts and adjusted to reflect adjustments made by the Group when applying the equity method:

	2014 HK$'000
Current assets	86,791
Non-current assets	121,466
Current liabilities	(13,463)
Non-current liabilities	–
Net assets	194,794

	2014* HK$'000
Revenue	1,253
Expenses	(5,836)
Loss from continuing operations and total comprehensive income	(4,583)

No dividend was received from XHME during the year ended 31 December 2014.

19. INTERESTS IN ASSOCIATES *(Continued)*

Reconciliation of the above financial information of XHME to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	2014 HK$'000
Net assets of XHME	194,794
Percentage of interests held by the Group	24.975%
Group's share of net assets in XHME at the reporting date	48,651
Group's share of net assets of individually immaterial associates at the reporting date	67
Group's share of net assets in associates recognised in the consolidated statement of financial position	48,718

Reconciliation of the above financial information of XHME to the share of results of associates recognised in the consolidated financial statements:

	2014 HK$'000
Loss for the year of XHME*	(4,583)
Percentage of interests held by the Group	24.975%
Group's share of results in XHME for the year	(1,145)
Group's share of results of individually immaterial associates for the year	(11)
Group's share of results in associates for the year recognised in the consolidated profit or loss	(1,156)

* post-acquisition

20. OTHER ASSETS

	2014 HK$'000	2013 HK$'000
Admission fee paid to Hong Kong Securities Company Limited ("HKSCC")	50	50
Cash contribution to the Guarantee Fund of HKSCC	50	50
Deposit with HKFE Clearing Corporation Limited	1,500	1,500
Deposits with the Stock Exchange		
– Compensation Fund	50	50
– Fidelity Fund	50	50
– Stamp duty	30	5
	1,730	1,705

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2014 HK$'000	2013 HK$'000
Trade receivables	244,526	42,880
Other receivables and prepayments	5,420	2,869
Amount due from an associate	6	–
	249,952	45,749

Other receivables of the Group are neither past due nor impaired. Amount due from an associate is unsecured, interest-free and repayable on demand. There was no provision for impairment of other receivables and amount due from an associate for the years ended 31 December 2014 and 2013. The analysis of trade receivables is as follows:

	2014 HK$'000	2013 HK$'000
Arising from the business of dealing in securities and futures contracts		
– HKSCC	4,302	7,588
– Cash clients	27	–
– Margin clients	9,573	29,609
Arising from advisory service	1,250	–
Arising from asset management service	920	5,683
Arising from underwriting and placing services	52,402	–
Arising from proprietary trading	19,793	–
Arising from trading business	156,259	–
	244,526	42,880

The normal settlement terms of trade receivables arising from the business of dealing in securities and futures contracts are one or two business days after the respective trade dates. The amounts due from cash and margin clients are repayable on demand subsequent to the settlement date and bear interest at Hong Kong Dollar Prime Rate plus a spread of 3% to 8% (2013: 3% to 8%) per annum.

The Group does not provide any credit term to clients for its asset management and advisory services. Settlement of amounts arising from the underwriting and placing services is in accordance with the terms set out in the respective agreements, usually within one year after the service obligation has been fulfilled.

Amount arising from proprietary trading represents margin deposits placed with a broker. The excess of the outstanding amounts over the required margin deposits stipulated are repayable on demand.

Before accepting any orders from new customers of trading business, the Group performs credit check to assess the potential customer's credit quality and defines credit limits. The general credit periods granted to these customers are 180 to 365 days (2013: not applicable). The Group does not hold any collateral as security or other credit enhancements over these trade receivables.

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

No ageing analysis in respect of amounts due from margin clients is disclosed as in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature. The ageing analysis of trade receivables in respect of other balances, based on due date, is as follows:

	2014 HK$'000	2013 HK$'000
Not yet past due	**156,259**	–
0 – 30 days	**78,433**	13,228
31 – 60 days	**261**	13
61 – 90 days	**–**	30
	234,953	13,271

The amounts due from margin clients are neither past due nor impaired at the reporting date as the amounts are secured by pledged marketable securities with fair value of HK$242,605,000 (2013: HK$201,227,000). The fair value of pledged marketable securities of each individual margin client is higher than the corresponding outstanding balance. The Group is permitted to sell or re-pledge these collaterals if the customers defaults in payments.

The amount arising from trading business represents bills receivables held by and factored to a bank with recourse for cash proceeds. These bills receivables are neither past due nor impaired at the reporting date. In the event of default by the debtors, the Group is obliged to pay the bank the amount in default. As the Group retains substantially all the risks and rewards of ownerships of these receivables, the Group continues to recognise the whole carrying amounts of the receivables and has recognised the cash received on the transfer as collateralised borrowings (note 27) until the receivables are collected or the Group settles any losses suffered by the bank. At 31 December 2014, the carrying amount of these receivables and the associated borrowings were HK$156,259,000 (2013: Nil) and HK$154,924,000 (2013: Nil) respectively. The difference between the carrying amount of receivables and the associated borrowings was HK$1,335,000 (2013: not applicable). The directors of the Company consider that the fair value of those receivables and the associated borrowings are not materiality differ from their carrying amount.

The amount arising from underwriting and placing services represents the balance due from a broker who retained the service fee payable to the Group on behalf of a client, which will be disbursed to the Group upon client's approval. The amounts due from cash clients, brokers, HKSCC and clients for its advisory and asset management services has not provided for impairment loss as there has not been a significant change in their credit quality.

22. HELD FOR TRADING INVESTMENTS

	2014 HK$'000	2013 HK$'000
Listed investments		
– Equity securities listed in Hong Kong	49,435	–
– Equity securities listed in overseas	2,217	–
	51,652	–
Unlisted investments		
– Investments funds	20,306	–
	71,958	–

The unlisted investments represent the investments in Life & Health Fund SP, a segregated portfolio under Global High Growth Industries Fund Series SPC, a limited liability company incorporated in the Cayman Islands ("Fund"). The investment represents an 80% holding of the ordinary shares under the segregate portfolio but is not regarded as a subsidiary since the Group does not have right to appoint any directors to the Fund. The Group had served as an investment manager of the Fund and generated fees from managing assets on behalf of third party investors and is terminable by the independent board of directors of the Fund without a cause. The Group therefore does not consolidate this segregated portfolio in which it holds an interest. The total net asset value of this segregated portfolio as at 31 December 2014 is HK$25,465,000 (2013: not applicable).

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Asset		Liabilities	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Early redemption option embedded in SYHL Bonds (note 29)	1,481	–	–	–
Foreign exchange forward contracts	640	–	–	–
Interest rate swaps	–	–	203	–
	2,121	–	203	–
Less: non-current portion				
Early redemption option embedded in SYHL Bonds (note 29)	(1,481)	–	–	–
Current portion	640	–	203	–

The Group had the following foreign exchange forward contracts to manage the Group's currency exposure in relation to foreign currency receivables. Major terms of these contracts are as follows:

Exchange rates	Maturity	Notional amount
US$1: RMB6.2702	29/10/2015	Buy US$10,401,958
US$1: RMB6.2950	20/11/2015	Buy US$4,765,457

23. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group also uses interest rate swaps to minimise its exposure to cash flow interest rate risk of its floating-rate United States dollar borrowings by swapping floating-rate borrowings from floating rates to fixed rates. Major terms of the interest rate swaps are set out below:

Swaps	Maturity	Notional amount
1 month USD LIBOR plus 0.9% for 1.205%	29/10/2015	US$10,278,786
1 month USD LIBOR plus 0.8% for 1.220%	20/11/2015	US$4,709,123

24. TRUST BANK BALANCES HELD ON BEHALF OF CLIENTS

From the Group's ordinary business of dealing in securities and futures contracts, it receives and holds money deposited by clients in the course of conducting its regulated activities. These clients' monies are maintained in one or more segregated bank accounts and earn interest at floating rates based on daily bank deposit rates of 0.001% (2013: 0.001%) per annum. The Group has recognised the corresponding trade payables to respective clients.

25. CASH AND CASH EQUIVALENTS

	2014 HK$'000	2013 HK$'000
Demand deposits and cash on hand	**94,467**	58,485

Demand deposits earn interest at floating rates based on daily bank deposit rates. The prevailing market interest rates for demand deposits in Hong Kong and in the PRC are 0.001% (2013: 0.001%) per annum and 0.350% (2013: 0.350%) per annum, respectively.

Included in cash and cash equivalents of the Group is RMB of HK$5,531,000 (2013: HK$1,166,000). RMB is not a freely convertible currency. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks that are authorised to conduct foreign exchange business.

26. TRADE AND OTHER PAYABLES AND ACCRUALS

	2014 HK$'000	2013 HK$'000
Trade payables	**18,395**	14,662
Other payables and accruals	**3,976**	3,888
Amount due to an associate	**346**	–
	22,717	18,550

26. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

Amount due to an associate is unsecured, interest-free and repayable on demand. The analysis of trade payables is as follows:

	2014 HK$'000	2013 HK$'000
Arising from the business of dealing in securities and futures contracts		
– Cash clients	17,358	14,346
– Margin clients	1,037	12
– Futures clients	–	304
	18,395	14,662

The normal settlement terms of trade payables arising from the business of dealing in securities are two business days after the respective trade dates. The amounts payable to cash and margin clients are repayable on demand.

The trade payables arising from the business of dealing in futures contracts are margin deposits received from clients for their trading of these contracts. The required margin deposits are repayable upon the closure of the corresponding futures position. The excess of the outstanding amounts over the required margin deposits stipulated are repayable on demand.

No ageing analysis in respect of trade payables is disclosed as, in the opinion of the directors, the ageing analysis does not give additional value in view of the business nature.

27. BORROWINGS

	2014 HK$'000	2013 HK$'000
Collateralised borrowings		
– Non-interest bearing*	37,839	–
– Interest bearing at USD LIBOR plus 0.9% per annum	80,335	–
– Interest bearing at USD LIBOR plus 0.8% per annum	36,750	–
	154,924	–
Other loan, unsecured		
– Interest bearing at fixed rate of 3.5% per annum	–	30,000
	154,924	30,000

Collateralised borrowings represent the amount of financing obatined from factoring the Group's bills receivables amounting to HK$156,259,000, (note 21) and are repayable within one year.

Other loan is borrowed from Front Riches Investments Limited, a shareholder of the Company. The amount was fully repaid during the year.

* Effective interest of this borrowing is 4.2% per annum

28. OBLIGATIONS UNDER FINANCE LEASES

	2014 HK$'000	2013 HK$'000
Total minimum lease payments		
– Due within one year	**32**	37
– Due in the second to fifth years	**–**	33
	32	70
Future finance charges on finance leases	**–**	–
Present value of finance lease obligations	**32**	70
The present value of minimum lease payments is analysed as follows:		
– Due within one year	**32**	37
– Due in the second to fifth years	**–**	33
	32	70
Less: Portion due within one year included under current liabilities	**(32)**	(37)
Non-current portion included under non-current liabilities	**–**	33

The Group had entered into finance leases for certain of its office equipment with initial lease term of 5 years. The obligations under finance leases were secured by the lessor's charge over the leased assets. 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.

29. CONVERTIBLE BONDS

	2014 HK$'000	2013 HK$'000
SYFS Bonds – liability component	**29,813**	–
SYHL Bonds – liability component	**104,087**	–
	133,900	–

29. CONVERTIBLE BONDS *(Continued)*

SYFS BONDS

Pursuant to a subscription agreement entered into by a wholly-owned subsidiary of the Company, Sheng Yuan Financial Services Group Limited ("SYFS") with WisePublic Holdings Limited, Mr. Li Gang and two other entities (collectively referred to as the "Subscribers") on 9 April 2014, SYFS issued zero coupon convertible bonds with principal amount of HK$16,000,000, HK$9,000,000, HK$10,000,000 and HK$10,000,000 ("SYFS Bonds") to respective Subscribers on 16 June 2014. The SYFS Bonds entitled the holders to convert them into ordinary shares of SYFS (the "SYFS Conversion Shares") at a conversion price of HK$10,000 with certain profit conditions of SYFS and its subsidiaries ("SYFS Group") as set out in the Company's circular dated 16 May 2014. Any unconverted SYFS Bonds shall be redeemed by SYFS at 100% of its face value within 30 business days from the third anniversary day ("SYFS Bonds Maturity Date").

The shareholders of WisePublic Holdings Limited, Ms. Zhang Xiaomei, Mr. Wang Shengkun and Mr. Chen Bai Cao, are also management of the SYFS Group. Two of the Subscribers, WisePublic Holdings Limited (the "First Guarantor") and Mr. Li Gang (the "Second Guarantor"), provide profit guarantee to SYFS Group on their consolidated profit after taxation as stated in the subscription agreement, and details below:

Relevant Periods	Profit Guarantee
For financial year 2014	Not less than zero
For two financial years 2014 and 2015	Not less than HK$20 million
For three financial years 2014, 2015 and 2016	Not less than HK$50 million

In any Relevant Periods, the First Guarantor undertakes and agrees to compensate the shortfall with the Profit Guarantee by transferring any unconverted SYFS Bonds or SYFS Conversion Shares held by it to the Company at a consideration of HK$1. The SYFS Bonds transferred could be repurchased by the First Guarantor at HK$1 within six months from the date of such transfer if the shortfall is made good by the subsequent consolidated profit after taxation of SYFS Group. The Second Guarantor agrees to compensate the remaining shortfall by way of similar compensation method with the First Guarantor, if the First Guarantor fails to fully compensate the shortfall. In the situation of the actual profit is exceed the amount of the Profit Guarantee, the management of SYFS will have the right to pay any excess profits as bonus to employees and/or dividend to shareholders of SYFS. As at 31 December 2014, the Profit Guarantee is not recognised in the consolidated financial statements as the directors of the Company are of the opinion that the effect is insignificant to the Group.

29. CONVERTIBLE BONDS *(Continued)*

SYFS BONDS *(Continued)*

The fair value of the liability component of SYFS Bonds upon the issuance was calculated at the present value of the estimated coupon interest payments and principal amount. The discount rate used in the calculation is 16.89%, representing the cost of debt applicable to SYFS for a similar bond without conversion option at the issue date.

At 31 December 2014, none of the SYFS Bonds have been converted into ordinary shares of SYFS. The movements of the components of SYFS Bonds during the year are set out below:

	Liability component HK$'000	Equity conversion component HK$'000	Total HK$'000
At 1 January 2014	–	–	–
Issued during the year	27,208	17,792	45,000
Effective interest recognised	2,605	–	2,605
At 31 December 2014	29,813	17,792	47,605

SYHL BONDS

Pursuant to subscription agreements entered into by the Company on 5 November 2014 and 19 December 2014, the Company issued convertible bonds with aggregate principal amount of HK$135,000,000 ("SYHL Bonds"), to five individual subscribers on 19 November 2014 and 30 December 2014. The SYHL Bonds entitled the holders to convert them into ordinary shares of the Company at an initial conversion price of HK$0.70 per share of the Company (or HK$0.35 per share after share-subdivision) at any time before the third anniversary date of the initial issue date ("SYHL Bonds Maturity Date"). The SYHL Bonds bear interests at 8% per annum except that during the second and third anniversary period, no interest shall be accrued to the holders when the average closing price in respect of the Company's share for the last 30 consecutive trading days ("Current Market Price") before the second anniversary of the initial issue date ("Second Interest Payment Date") and the SYHL Bonds Maturity Date exceed HK$1.00 and HK$1.10 per share of the Company (or HK$0.50 and HK$0.55 per share after share-subdivision) respectively.

If the Current Market Price on the Second Interest Payment Date exceed HK$1.00 per share of the Company (or HK$0.50 per share after share-subdivision), the Company shall have the right to early redeem the SYHL Bonds (in part or in whole), at the aggregate amount of the outstanding principal and interest not later 3 business days after the Second Interest Payment Date. Unless previously redeemed, converted or cancelled, the Company will redeem each SYHL Bonds on the SYHL Bonds Maturity Date at 100% of the outstanding principal amount, together with accrued interest, if any.

29. CONVERTIBLE BONDS *(Continued)*

SYHL BONDS *(Continued)*

The fair value of the liability component upon the issuance was calculated at the present value of the estimated coupon interest payments and principal amount. The discount rate used in the calculation is 17.18%-19.45%, representing the cost of debt applicable to SYHL for a similar bond without conversion option at the respective issue dates. The fair values of the derivative component of the SYHL Bonds as at the date of issue and 31 December 2014 were determined by reference to valuations performed by Peak Vision Appraisals Limited, independent professionally qualified valuers, using the Binomial Option Pricing Model. Details of the parameters and assumptions used in the model are as follows:

	19/11/2014	30/12/2014	31/12/2014
Parameters			
Share price of the Company	HK$0.48	HK$0.29	HK$0.29
Exercise price	HK$0.70	HK$0.35	HK$0.35
Remaining life of the derivative	3 years	3 years	2.88 years-3 years
Risk-free rate	0.77%	1.02%	0.98%-1.01%
Expected volatility	65.92%	63.97%	63.97%-64.17%
Expected dividend yield	0.00%	0.00%	0.00%

The movements of the components of SYHL Bonds during the year are set out below:

	Derivative component HK$'000	Liability component HK$'000	Equity conversion component HK$'000	Total HK$'000
At 1 January 2014	–	–	–	–
Issued during the year	(1,901)	102,493	34,408	135,000
Changes in fair value	420	–	–	420
Effective interest recognised	–	1,594	–	1,594
At 31 December 2014	(1,481)	104,087	34,408	137,014

30. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each	Number of ordinary shares of HK$0.05 each	Nominal value HK$'000
Authorised:			
At 1 January 2013, 31 December 2013 and 1 January 2014	2,000,000,000	–	200,000
Increase pursuant to a special resolution (note (a))	2,000,000,000	–	200,000
Share-subdivision pursuant to a special resolution (note (d))	(4,000,000,000)	8,000,000,000	–
At 31 December 2014	–	8,000,000,000	400,000
Issued and fully paid:			
At 1 January 2013, 31 December 2013 and 1 January 2014	1,612,012,911	–	161,201
Issue of ordinary shares upon exercise of share options (note (b))	4,600,000	–	460
Issue of shares upon acquisition of subsidiaries (note (c))	119,268,367	–	11,927
Share-subdivision pursuant to a special resolution (note (d))	(1,735,881,278)	3,471,762,556	–
At 31 December 2014	–	3,471,762,556	173,588

Notes:

(a) Pursuant to a special resolution passed on 15 October 2014, the authorised share capital of the Company was increased from HK$200,000,000 divided into 2,000,000,000 shares of HK$0.10 each in the capital of the Company to HK$400,000,000 divided into 4,000,000,000 shares of HK$0.10 each in the capital of the Company.

(b) During the year, the Company issued and allotted a total of 4,600,000 shares of HK$0.10 each in the capital of the Company to certain holders of share options upon their exercise of these options.

(c) Pursuant to the agreement in respect of the acquisition as disclosed in note 33 to these financial statements, 119,268,367 shares of HK$0.10 each in the capital of the Company were allotted to the vendor under the acquisition.

(d) Pursuant to a special resolution passed on 29 December 2014, each issued and unissued ordinary share of the Company with a par value of HK$0.10 each in the share capital of the Company be subdivided into two issued and unissued ordinary share of the Company with a par value of HK$0.05 each with effect from 30 December 2014.

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

31. SHARE-BASED PAYMENTS

(a) Pursuant to the general meeting held on 24 September 2004, a share option scheme ("2004 Scheme") was adopted by the Company. The purpose of the 2004 Scheme provides incentives or rewards to the eligible 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 2004 Scheme, the Company can grant share 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 share options granted to each Qualified Person (including exercised, cancelled and outstanding share 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 24 April 2014, the Company can grant 161,201,291 share options to the Qualified Persons, until the next time of refreshment. At 31 December 2014, the number of shares in respect of which options has been granted and remained outstanding under the 2004 Scheme was 150,000,000 (2013: 73,200,000 before share-subdivision), representing 4.3% (2013: 4.5%) of the shares of the Company in issue at that date.

The exercise price in relation to each share option pursuant to the 2004 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 share 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 business days immediately preceding the date of offer; or (iii) the nominal value of a share of the Company. There shall be no minimum holding period for the vesting or exercise of the share options under the 2004 Scheme but the share options are exercisable within the option period as determined by the Board of Directors of the Company.

31. SHARE-BASED PAYMENTS *(Continued)*

(a) Movements in share options to subscribe for ordinary shares in the Company under the 2004 Scheme during the year and their weighted average exercise price are as follows:

	Number of share options		Weighted average exercise price	
	2014	2013	**2014 HK$**	2013 HK$
Outstanding at 1 January	**73,200,000**	49,900,000	**0.453**	0.560
Granted	**29,000,000**	40,000,000	**0.490**	0.365
Exercised	**(4,600,000)**	–	**0.365**	N/A
Forfeited	**(28,600,000)**	(16,700,000)	**0.560**	0.560
Adjusted on share-subdivision	**81,000,000**	–	**N/A**	N/A
Outstanding at 31 December	**150,000,000**	73,200,000	**0.220**	0.453
Exercisable at 31 December	**150,000,000**	73,200,000	**0.220**	0.453

Notes:

(i) The closing price of the Company's shares immediately before the dates of grant of share options (before share-subdivision) is HK$0.490 (or HK$0.245 after share-subdivision).

(ii) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised (before share-subdivision) is HK$0.456 (or HK$0.228 after share-subdivision).

(iii) The exercise prices and expiry dates of share options under the 2004 Scheme outstanding at the reporting date are as follows:

Expiry dates	Number of share options		Exercise price	
	2014	2013	**2014 HK$**	2013 HK$
24/07/2016	**70,800,000**	40,000,000	**0.183**	0.365
20/06/2017	**58,000,000**	–	**0.245**	N/A
25/08/2021	**21,200,000**	33,200,000	**0.280**	0.560
	150,000,000	73,200,000		

The weighted average remaining contractual life of share options outstanding as at 31 December 2014 is 2.6 years (2013: 4.9 years).

(iv) The number of share options outstanding at 31 December 2014 and their exercise price has been adjusted upon share-subdivision which became effective on 30 December 2014.

31. SHARE-BASED PAYMENTS *(Continued)*

(b) Pursuant to a special general meeting held on 15 October 2014, a new share option scheme ("2014 Scheme") was approved by the shareholders of the Company in place of the 2004 Scheme. The share options granted for the 2004 Scheme shall continue to be valid and exercisable in accordance with the 2004 Scheme.

The 2014 Scheme is also valid and effective for 10 years, after which no further share options may be issued under the 2014 Scheme but any share options granted thereto shall remain exercisable in accordance with the 2014 Scheme. The purpose of the 2014 Scheme is to enable the Group to grant share options to the Qualified Persons as incentives or rewards for their contribution to the Group.

The maximum number of shares which can be granted under the 2014 Scheme may not exceed 10% of the issued share capital of the Company from time to time. Pursuant to a resolution passed on the annual general meeting of the Company, dated 15 October 2014, the Company can grant 161,201,291 share options to the Qualified Persons, until the next time of refreshment. The maximum number of shares which can be granted under the 2004 Scheme and the 2014 Scheme may not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares issuable under the 2004 Scheme and the 2014 Scheme to each Qualified Persons within any 12-month's period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to prior shareholders' approval in a general meeting.

The exercise price in relation to each share option pursuant to the 2014 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 share 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 business days immediately preceding the date of offer; or (iii) the nominal value of a share of the Company. There shall be no minimum holding period for the vesting or exercise of the share options under the 2014 Scheme but the share options are exercisable within the option period as determined by the Board of Directors of the Company.

No share options have been granted under the 2014 Scheme since its adoption.

31. SHARE-BASED PAYMENTS *(Continued)*

(c) On 19 June 2014, the Company and Rotaland Limited (the "Consultant") entered into a consultancy agreement (the "Consultancy Agreement") pursuant to which the Company engaged the Consultant to provide marketing and introduction services advice and guidance to support the Group's business expansion and development (the "Consultancy Services") for a fixed term of three years.

As consideration for the Consultancy Services, the Company has, upon the signing of the Consultancy Agreement, conditionally granted to the Consultant an option (the "Option"), at a nominal consideration of HK$1.00, to subscribe for 70,000,000 shares of HK$0.10 each in the share capital of the Company ("Option Shares") at an exercise price of HK$0.50 per Option Share (or 140,000,000 shares of HK$0.05 each at an exercise price of HK$0.25 per Option Share after share-subdivision). The closing price of the Company's shares immediately before the date of grant of the Options immediately before and after share-subdivision is HK$0.450 and HK$0.225, respectively.

The Option is exercisable from the date of Consultancy Agreement up to the third anniversary of the date of the Consultancy Agreement. Vesting of the Option is conditional upon the achievement of certain performance target by a subsidiary of the Company.

Movements in Options to subscribe for ordinary shares in the Company under the Consultancy Agreement during the year are as follows:

	Number of Options		**Weighted average exercise price**	
	2014	2013	**2014 HK$**	2013 HK$
Outstanding at 1 January	**–**	–	**N/A**	N/A
Granted	**70,000,000**	–	**0.50**	N/A
Adjusted on share-subdivision	**70,000,000**	–	**N/A**	N/A
Outstanding at 31 December	**140,000,000**	–	**0.25**	N/A
Exercisable at 31 December	**–**	–	**N/A**	N/A

The number of Options outstanding at 31 December 2014 and their exercise price has been adjusted upon share-subdivision which became effective on 30 December 2014. The weighted average remaining contractual life of Options outstanding as at 31 December 2014 is 2.5 years (2013: not applicable).

31. SHARE-BASED PAYMENTS *(Continued)*

The fair values of the Option granted to the Consultant on 19 June 2014 and share options granted to certain directors of the Company and employees of the Group on 20 June 2014 were HK$7,578,000 and HK$4,218,000, respectively. The fair values were estimated as at the date of grant, using Binomial Option Pricing Model. The following assumptions were used to calculate their fair values:

	19/06/2014	20/06/2014
Assumptions		
Grant date share price	HK$0.450	HK$0.490
Exercise price	HK$0.500	HK$0.490
Expected life	3 years	3 years
Expected volatility	55.491%	55.287%
Dividend yield	0%	0%
Risk-free interest rate	0.730%	0.803%

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 equity-settled share-based payment expense of HK$4,218,000 (2013: HK$5,954,000) for the year ended 31 December 2014 under staff costs.

32. RESERVES

SHARE PREMIUM

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be credited to a contributed surplus account of the Company. Such contributed surplus, may be distributed when the Company is able to settle its liabilities when they fall due after such payment.

SHAREHOLDER'S CONTRIBUTION

Pursuant to the subscription agreement dated 20 April 2007 between the Company and Prime Sun Group Limited ("Prime Sun") and Grand Promise Enterprise Limited ("Grand Promise") and the sales and purchase agreement dated 20 April 2007 for the sales of shares and convertible bonds of the Company entered between Fine Assets Limited ("Fine Assets"), HK Sky Entertainment Holdings Limited, Prime Sun and Grand Promise; Fine Assets agreed to (i) sell its entire interest in the Company to Prime Sun and (ii) receive HK$45,000,000 as the full settlement for the borrowing due by the Company amounted to HK$52,834,000. Accordingly, the amount waived by Fine Assets amounted to HK$7,834,000 was accounted for as a contribution from the former substantial shareholder and credited directly to shareholder's contribution.

CAPITAL REDEMPTION RESERVE

Capital redemption reserve represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation on 22 October 1998 and the nominal value of the shares issued by the Company as consideration thereof.

32. RESERVES *(Continued)*

CONVERTIBLE BOND EQUITY RESERVE

Convertible bond equity reserve represents the equity component of SYHL bonds issued during the year and remained unexercised at the reporting date.

CONTINGENT CONSIDERATION RESERVE

The contingent consideration reserve represented the remaining balance of the consideration for the acquisition of Regington International Limited in the year to be satisfied by way of allotment and issue of 556,585,714 shares (after share-subdivision) by the Company if the profit target set out in the agreement has been fulfilled (note 33). As at 31 December 2014, the profit target has not been met.

SHARE OPTION RESERVE

Share option reserve represents the portion of the grant date fair value of the unexercised share options of the Company.

CURRENCY TRANSLATION RESERVE

The currency translation reserve of the Group represents all the foreign exchange differences arising from the translation of the financial statements of foreign operation from their functional currencies to the Group's presentation currency.

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

The Company entered into the agreement dated 11 September 2014 ("Acquisition Agreement") with World Tycoon Limited (the "Vendor"), an independent third party, pursuant to which the Company agreed to purchase and the Vendor agreed to sell the entire issued share capital of Regington International Limited ("Regington"), which indirectly owns 24.975% of the equity interests in XHME, at the consideration of up to HK$194,805,000 (the "Consideration").

The Consideration as to HK$58,441,500 was paid to the Vendor by way of the allotment and issue of 119,268,367 shares of HK$0.10 each in the Company within 14 days after completion of the Acquisition Agreement ("Completion"); and HK$136,363,500 will be payable to the Vendor by way of the allotment and issue of 278,292,857 shares of HK$0.10 each (or 556,585,714 shares of HK$0.05 each after share subdivision) in the Company within 14 days when XHME have recorded audited consolidated net profit before income tax in the amount of HK$50,000,000 ("Profit Target") on any day within 365 days from the Completion ("Profit Target Period"). In the event that the Profit Target could not be fulfilled, the Company is not required to pay the second payment in the amount of HK$136,363,500 accordingly.

In the opinion of the directors of the Company, the acquisition did not constitute a business combination in accordance with HKFRS 3, Business combination, as the major underlying assets to be acquired are 24.975% of the equity interests in XHME and related assets and liabilities in Regington and its subsidiaries ("Regington Group"). Therefore, the acquisition has been accounted for as an acquisition of assets and liabilities through acquisition of a subsidiary.

Details of the net assets acquired, the total consideration and the net cash inflow in respect of the above transaction are summarised below:

	HK$'000
Net assets acquired:	
Property, plant and equipment	18
Interest in an associate	93,564
Other receivables	241
Cash and cash equivalents	339
Other payables	(17,292)
	76,870
Less: Non-controlling interests	(12)
	76,858

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY *(Continued)*

	Notes	HK$'000
Consideration:		
119,268,367 shares of HK$0.10 each in the Company	(a)	62,020
Contingently issuable shares in the Company	(b)	28,943
Directly attributable transaction costs		1,194
Total consideration transferred		92,157
Less: Indemnification asset	(c)	(15,299)
Total consideration		76,858
Net cash inflow:		
Balance of cash and cash equivalents acquired		339

Notes:

(a) The fair value of the 119,268,367 shares of HK$0.10 each in the Company issued as part of the consideration paid for the acquisition was based on the published share price on 22 October 2014.

(b) The fair value of the contingently issuable shares in the Company was estimated by income approach. The fair value estimates are based on the probability weighted number of consideration shares to be issued by the Company. The key assumptions are as follows:

Forecasted net profit before taxation of Regington Group for the Profit Target Period	HK$57,493,000
Estimated probability	20%
Share price of the Company (before share-subdivision)	HK$0.52

(c) Pursuant to the Acquisition Agreement, Regington Group does not have any liabilities other than those arising from the normal operations and the Vendor have contractually agreed to indemnify the Group for these liabilities, if any. Regington Group had recorded an amount of HK$15,299,000 in "Other payables and accruals" as liabilities upon the Completion and the Vendor had agreed to assign these payables to them pursuant to agreements entered into during December 2014 ("Debt Transfer Agreements"). An indemnification asset of HK$15,299,000, equivalent to the fair value of the indemnified liabilities, has therefore been recognised by the Group upon Completion. The indemnification asset is deducted from consideration transferred on Completion and was offset against the indemnified liabilities upon signing of the Debt Transfer Agreements.

34. COMMITMENTS

OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments under non-cancellable operating leases, in respect of land and buildings, are payable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	6,921	6,296
In the second to fifth years, inclusive	3,872	10,536
	10,793	16,832

The Group leases a number of properties under operating leases. The leases run for an initial period of one to three years (2013: three years). None of the leases include contingent rentals.

34. COMMITMENTS *(Continued)*

OTHER COMMITMENTS

At the reporting date, the total future minimum service fee under non-cancellable service agreement, in respect of a server, are payable as follows:

	2014 HK$'000	2013 HK$'000
Within one year	**64**	64

35. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related companies, in which a director of the Company have direct/indirect equity interests, during the year:

	2014 HK$'000	2013 HK$'000
Front Riches Investment Limited (note 1)		
– Interest expense	**314**	702
Sheng Yuan China Growth Fund (note 2)		
– Fund management fee income	**885**	1,478
– Fund performance fee income	**–**	5,432

Notes:

1. Front Riches Investment Limited is a company in which Mr. Hu Yishi has controlling interests. Mr. Hu Yishi is the spouse of Ms. Lin Min, an executive director of the Company until her retirement on 25 April 2014.

2. Sheng Yuan China Growth Fund ("SYCGF") is an investment fund in which Ms. Lin Min and Mr. Hu Yishi held 92% of its participating shares until these shares are being redeemed in July 2014. The amount due from SYCGF as at 31 December 2013 amounted to HK$5,628,000. The amount, representing the maximum outstanding balance during the year, has been settled and the Group did not have any balance due from SYCGF as at 31 December 2014.

COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2014 HK$'000	2013 HK$'000
Short-term employee benefits	**7,339**	12,076
Post-employment benefits	**188**	282
Share-based payment	**1,428**	1,727
	8,955	14,085

36. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2014 HK$'000	2013 HK$'000
Financial assets		
Financial assets at fair value through profit or loss (classified as held for trading)		
– Held for trading investments	71,958	–
– Derivative financial instruments	2,121	–
	74,079	–
Loans and receivables		
– Other assets	1,730	1,705
– Trade receivables	244,526	42,880
– Other receivables	3,996	1,759
– Amount due from an associate	6	–
– Trust bank balances held on behalf of clients	10,542	7,171
– Cash and cash equivalents	94,467	58,485
	355,267	112,000
Available-for-sale investment	100	–
	429,446	112,000
Financial liabilities		
Financial liabilities at fair value through profit or loss (classified as held for trading)		
– Derivative financial instruments	203	–
	203	–
Financial liabilities at amortised cost		
– Trade and other payables and accruals	22,717	18,550
– Borrowings	154,924	30,000
– Obligations under finance leases	32	70
– Convertible bonds	133,900	–
	311,573	48,620
	311,776	48,620

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments are disclosed in note 36. 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.

MARKET RISK

(A) CURRENCY RISK

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are RMB and USD.

To manage the currency risk, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Group also uses foreign exchange forward contracts to minimise its currency risk exposure, except for those transactions denominated in USD which are, or are expected to be, entered into by operations with a functional currency of HK$. No foreign exchange forward contracts are entered for these transactions as the Group considers the risk of changes in exchange rates between HK$ and USD to be insignificant.

At 31 December 2014, the Group had foreign exchange forward contracts with a net fair value of HK$640,000 (2013: not applicable) which was recognised as derivative financial instruments (note 23). All of the foreign exchange forward contracts have maturities of less than one year.

The following table details the Group's financial assets and liabilities denominated in currencies, other than the functional currency of the entities to which they relate, at the end of the reporting period.

	Expressed in HK$			
	2014		2013	
	US$ $'000	**RMB $'000**	US$ $'000	RMB $'000
Trade and other receivables	**–**	**156,259**	–	–
Held for trading investments	**–**	**2,217**	–	–
Cash and cash equivalents	**741**	**4,089**	3,646	–
Borrowings	**(117,085)**	**(37,839)**	–	–
	(116,344)	**124,726**	3,646	–
Notional amounts of foreign exchange forward contracts	**118,306**	**(122,168)**	–	–
Net exposure	**1,962**	**2,558**	3,646	–

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

MARKET RISK *(Continued)*

(A) *CURRENCY RISK (Continued)*

The following table indicates the approximate change in the Group's loss for the year (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. In this respect, the Group does not expect any significant changes in US$/HK$ exchange rates as US$ is pegged to HK$.

A positive number below indicates a decrease in loss for the year with a corresponding decrease in accumulated losses. For an increase loss for the year and a corresponding increase in accumulated losses, the balances below would be negative.

	Increase in RMB against HK$ by 2%		Decrease in RMB against HK$ by 2%	
	Effect on profit or loss for the year and accumulated losses HK$'000	Effect on other component of equity HK$'000	Effect on profit or loss for the year and accumulated losses HK$'000	Effect on other component of equity HK$'000
2014	**2,268**	**–**	**(2,117)**	**–**
2013	N/A	N/A	N/A	N/A

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

MARKET RISK *(Continued)*

(B) INTEREST RATE RISK

The Group is exposed to fair value interest rate risk in relation to certain borrowings (note 27), obligations under finance leases (note 28) and convertible bonds (note 29) issued at fixed rates. The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets of amounts due from cash and margin clients (note 21) and bank balances (notes 24 and 25) and variable-rate financial liabilities in relation to the certain borrowings (note 27).

To manage the interest rate risk, the Group use interest rate swaps to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy. At 31 December 2014, the Group had interest rate swaps with a net fair value of HK$203,000 (2013: not applicable) which was recognised as derivative financial instruments (note 23). All of the interest rate swaps have maturities of less than one year.

At 31 December 2014, if interest rates had increased by 2% (2013: 2%) while all other variables were held constant, the loss for the year would decrease by approximately HK$195,000 (2013: HK$1,678,000) and there would be a corresponding change in accumulated losses. If interest rates had decreased by 2% (2013: 2%) while all other variables were held constant, the loss for the year would increase by approximately HK$198,000 (2013: HK$1,678,000) and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

The sensitivity analysis has been determined by assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the analysis is prepared by assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

MARKET RISK *(Continued)*

(C) EQUITY PRICE RISK

The Group is exposed to equity price risk through its investments in equity securities and investment funds classified as held for trading investments (note 22). The Group's equity securities are listed on the Stock Exchange and Shenzhen Stock Exchange. The investment funds are managed by the Group which invest primarily in companies listed in Hong Kong and China Region. Decisions to buy and sell are based on daily monitoring of the performance of individual securities as well as the liquidity needs.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. At the end of the reporting period, the Group is exposed to this risk through the equity-linked interest payments attached to the convertible bonds issued by the Company as disclosed in note 29 to these financial statements.

At 31 December 2014, if relevant equity prices had increased by 20% while all other variables were held constant, the loss for the year would decrease by approximately HK$14,801,000 and there would be a corresponding change in accumulated losses. If relevant equity prices has decreased by 20% while all other variables were held constant, the loss for the year would increase by HK$14,754,000 and there would be a corresponding change in accumulated losses. Other components of the consolidated equity would remain unchanged.

No analysis was performed for the year ended 31 December 2013, as the Group did not have significant exposure to risk resulting from changes in equity price.

The sensitivity analysis has been determined by assuming that the changes in equity price had occurred at the end of the reporting period and has been applied to those instruments which expose the Group to equity price risk at that date. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent equity price risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

CREDIT RISK

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations 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 on trade receivables, 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 on trade receivables is significantly reduced.

Investments are normally only in liquid securities quoted on a recognised stock exchange, except where entered into for long term strategic purpose. Transactions involving derivative financial instruments are with counterparties of sound credit standing and with whom the Group has a signed netting agreement. Given their high credit standing, management does not expect any investment counterparty to fail to meet its obligations.

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

At 31 December 2014, the Group had concentration of credit risk on the amounts due from margin clients as 100% (2013: 94%) were due from five clients. Trade receivables arising from underwriting and placing services were due from a financial institution (2013: not applicable). The credit risk of amounts due from margin clients is limited as the Group hold collaterals adequately cover the associated credit risk. The credit risk of trade receivables arising from the underwriting and placing services is limited as the counterparty is a reputable financial institution and regulated entity under the Hong Kong Securities and Futures Commission. Further quantitative data in respect of the collaterals and the Group's exposure to credit risk arising from trade receivables are disclosed in note 21 to the financial statements.

37. 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 remaining contractual maturities for its non-derivative financial liabilities and 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 undiscounted cash flows include both interest and principal payments.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Less than 6 months HK$'000	6 months to 1 year HK$'000	2 to 5 years HK$'000
At 31 December 2014					
Trade and other payables and accruals	**22,717**	**22,717**	**22,717**	**–**	**–**
Borrowings	**154,924**	**155,961**	**37,839**	**118,122**	**–**
Obligations under finance leases	**32**	**32**	**19**	**13**	**–**
Convertible bonds	**133,900**	**212,400**	**–**	**10,800**	**201,600**
Derivative financial instruments, net settled – Interest rate swaps	**203**	**191**	**–**	**191**	**–**
	311,776	**391,301**	**60,575**	**129,126**	**201,600**
Derivative financial instruments, gross settled – foreign exchange forward contracts – inflow	**–**	**118,306**	**–**	**118,306**	**–**
– outflow	**–**	**122,168**	**–**	**122,168**	**–**
At 31 December 2013					
Trade and other payables and accruals	18,550	18,550	18,550	–	–
Borrowings	30,000	30,525	30,525	–	–
Obligations under finance leases	70	70	18	19	33
	48,620	49,145	49,093	19	33

38. FAIR VALUE MEASUREMENT

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following table presents the Group's financial instruments measured at fair value on a recurring basis in the consolidated statement of financial position according to the fair value hierarchy. The hierarchy groups financial instruments into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial instruments. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liabilities that are not based on observable market data (unobservable inputs).

The levels in the fair value hierarchy within which the financial instruments are categorised in its entirety are based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statement of financial position as at 31 December 2014 are grouped into the fair value hierarchy as follows. The Group did not have any financial instruments measured at fair value as at 31 December 2013.

	Level 1 HK$'000 (note (a))	Level 2 HK$'000 (note (b))	Level 3 HK$'000 (note (c))	Total HK$'000
At 31 December 2014				
Financial assets at fair value through profit or loss				
– Listed equity securities	51,652	–	–	51,652
– Unlisted investment funds	–	20,306	–	20,306
– Foreign exchange forward contracts	–	640	–	640
– Derivative component of SYHL Bonds	–	–	1,481	1,481
Financial liabilities at fair value through profit and loss				
– Interest rate swaps	–	(203)	–	(203)
	51,652	20,743	1,481	73,876

There were no transfers between levels 1 and 2 or transfers into or out of level 3 in the reporting period (2013: not applicable). The Group's policy is to recognise transfers between levels of fair value hierarchy at the date of the event or change in circumstances that caused the transfer.

(A) FINANCIAL INSTRUMENTS IN LEVEL 1

The fair value of the listed equity securities is based on the quoted market prices at the reporting date. The quoted market price used for the listed equity securities held by the Group is the current bid price.

38. FAIR VALUE MEASUREMENT *(Continued)*

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE *(Continued)*

(B) FINANCIAL INSTRUMENTS IN LEVEL 2

The fair value of the foreign exchange forward contracts is determined by discounting the contractual forward price and deducting the current spot rate. The fair value of the interest rate swap is determined based the estimated future cash flows discounted based on the credit risk of the counterparties. The fair value of the unlisted investment funds is determined with reference to the quoted prices of the underlying investment portfolio at the reporting date.

(C) FINANCIAL INSTRUMENTS IN LEVEL 3

The fair value of derivative component embedded in SYHL Bonds is determined using Binomial Option Pricing Mode. The significant unobservable inputs used in the fair value measurement are disclosed in note 29 to these financial statements.

Generally, a change in the Company's share price is accompanied by a directionally similar change to the fair value measurement whilst a change in the volatility and risk-free rate is accompanied by a directionally opposite change to the fair value measurement. The following table illustrates the sensitivity of the carrying amount of the derivative component embedded in SYHL Bonds as at 31 December 2014 to a change in the significant unobservable inputs while all other variable were held constant.

	If higher HK$'000	**If lower** HK$'000
+/- 20% in Company's share price	409	(362)
+/- 10% in volatility	(238)	65
+/- 2% in risk-free rate	(267)	270

Financial instruments not measured at amortised cost

The fair values of the financial assets and financial liabilities at amortised cost under current assets and current liabilities, respectively, are not materially different from their carrying amount as they are all short term in nature.

The fair values and the carrying amount of the financial instruments of the Group, other than those whose carrying amount reasonably be approximate to their fair value, are as follows:

	Carrying amount		**Fair value**	
	2014 **HK$'000**	2013 HK$'000	**2014** **HK$'000**	2013 HK$'000
Financial liabilities				
Liability component of convertible bonds				
– SYHL Bonds	**104,087**	–	**99,315**	–
– SYFS Bonds	**29,813**	–	**29,525**	–
	133,900	–	**128,840**	–

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group currently has a legally enforceable right to set off the Continuous Net Settlement (CNS) money obligations receivables and payables with HKSCC and it intends to settle on a net basis as trade receivables from or trade payables to HKSCC. For the net amounts of CNS money obligations receivables or payables and other receivables and payables (such as deposits included under other assets), they do not meet the criteria for offsetting in the consolidated financial statements since the right to set-off of the recognised amount is only enforceable following an event of default and the Group does not intended to settle the balance on a net basis.

The tables below set out the financial assets and liabilities subject to offsetting, enforceable master netting arrangement and similar arrangements:

	Amount due from HKSCC	
	2014 HK$'000	2013 HK$'000
Financial assets		
Gross amount of recognised financial assets	**8,988**	14,992
Gross amount of recognised financial liabilities offset in the consolidated statement of financial position	**(4,686)**	(7,404)
Net amounts of financial assets included in the consolidated statement of financial position	**4,302**	7,588
Related amount not set off in the consolidated statement of financial position		
– financial instruments	**–**	–
– financial collaterals	**–**	–
Net amounts	**4,302**	7,588

	Amount due to HKSCC	
	2014 HK$'000	2013 HK$'000
Financial liabilities		
Gross amount of recognised financial liabilities	**4,686**	7,404
Gross amount of recognised financial assets offset in the consolidated statement of financial position	**(4,686)**	(7,404)
Net amounts of financial liabilities included in the consolidated statement of financial position	**–**	–
Related amount not set off in the consolidated statement of financial position		
– financial instruments	**–**	–
– financial collaterals	**–**	–
Net amounts	**–**	–

39. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES *(Continued)*

The table below reconciles the "Net amounts of financial assets and financial liabilities included in the consolidated statement of financial position" as set out above to line items in the consolidated statement of financial position.

	2014 HK$'000	2013 HK$'000
Trade and other receivables and prepayments		
Net amounts of financial assets included in the consolidated statement of financial position	4,302	7,588
Amount not within the scope of offsetting disclosure	245,650	38,161
Trade and other receivables and prepayments presented in the consolidated statement of financial position	249,952	45,749
Trade and other payables and accruals		
Net amounts of financial liabilities included in the consolidated statement of financial position	–	–
Amount not within the scope of offsetting disclosure	22,717	18,550
Trade and other payables and accruals presented in the consolidated statement of financial position	22,717	18,550

40. CAPITAL 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 borrowings, obligations under finance leases and convertible bonds disclosed in notes 27, 28 and 29 respectively and total assets of the Group.

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.

The Group monitors its capital using a gearing ratio, which is total debts divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The gearing ratio as at the reporting dates is as follows:

	2014 **HK$'000**	2013 HK$'000
Borrowings	**154,924**	30,000
Obligations under finance leases	**32**	70
Convertible bonds	**133,900**	–
Total debts	**288,856**	30,070
Total non-current assets	**100,686**	7,999
Total current assets	**427,715**	111,405
Total assets	**528,401**	119,404
Gearing ratio	**55%**	25%

41. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	9	–
Unlisted investments in subsidiaries	162,287	44,070
Available-for-sale investment	100	–
Derivative financial instruments	1,481	–
Loan to a subsidiary	80,754	–
	244,631	44,070
Current assets		
Prepayments	778	675
Amounts due from subsidiaries	94,242	118,206
Cash and cash equivalents	39,104	29,883
	134,124	148,764
Current liabilities		
Other payables and accruals	719	1,366
Amounts due to subsidiaries	24,531	25,718
Borrowings	–	30,000
	25,250	57,084
Net current assets	108,874	91,680
Net assets/Total assets less current liabilities	353,505	135,750
Non-current liabilities		
Convertible bonds	104,087	–
	104,087	–
Net assets	249,418	135,750
EQUITY		
Share capital	173,588	161,201
Reserves	75,830	(25,451)
Total equity	249,418	135,750

42. 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 the assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name	Country/Place of incorporation or registration	Particulars of issued/paid-up capital	Proportion of nominal value of issued/ paid-up capital		Principal activities and place of operations
			Held by the Company	Held by the subsidiaries	
Beijing Herun Daxin Asset Management Limited*#@	PRC	Paid-up capital of RMB10,000,000	–	99.9%	Proprietary trading in the PRC
Kingwell Management Limited^	Hong Kong	Ordinary shares of HK$1,000,000	100%	–	Provision of administrative services to group entities in Hong Kong
Sheng Yuan Asset Management Limited^	Hong Kong	Ordinary shares of HK$20,000,000 (2013: 5,000,000)	–	100%	Provision of investment management and advisory services in Hong Kong
Sheng Yuan Financial Services Group Limited@	British Virgin Islands	Ordinary shares of US$5,500	100%	–	Proprietary trading in Hong Kong
Sheng Yuan Huanyu Trading (Shenzhen) Limited**@	PRC	Paid-up capital of HK$7,000,000	–	100%	Trading of chemical products in the PRC
Sheng Yuan Investment Advisors Limited^	Hong Kong	Ordinary shares of HK$5,000,000	–	100%	Provision of advisory services to private equity funds
Sheng Yuan Resources Limited^	Hong Kong	Ordinary shares of HK$37,000,000	–	100%	Trading of chemical products in Hong Kong
Sheng Yuan Securities Limited^	Hong Kong	Ordinary shares of HK$65,000,000	–	100%	Securities and futures dealing, margin financing and investment advisory services in Hong Kong
Sheng Yuan Services Limited^	Hong Kong	Ordinary share of HK$1	100%	–	Provision of administrative services to group entities in Hong Kong

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Name	Country/Place of incorporation or registration	Particulars of issued/paid-up capital	Proportion of nominal value of issued/paid-up capital Held by the Company	Held by the subsidiaries	Principal activities and place of operations
Shenzhen Junzhi Trading Limited***#@	PRC	Paid-up capital of RMB10,000,000	–	99.9%	Investment holding in the PRC
Sheng Yuan Financial Holdings (HK) Limited^	Hong Kong	Ordinary share of HK$1	–	100%	Proprietary trading in Hong Kong
Ying Oushi (Beijing) Business Development Limited*#@	PRC	Paid-up capital of RMB2,000,000	–	99.9%	Investment holding in the PRC

* limited liability company
** wholly foreign-owned enterprise
*** Sino-foreign equity joint venture
# newly acquired in the year
^ audited by BDO Limited
@ the financial statements of these subsidiaries have been audited by BDO Limited for the purpose of the Group's consolidation

FINANCIAL SUMMARY

	Year ended 30 April 2011 HK$'000 (restated)	Period from 1 May 2011 to 31 December 2011 HK$'000	Year ended 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000
RESULTS					
Revenue	19,776	1,697	7,251	62,136	**414,588**
Loss before taxation	(13,070)	(37,856)	(49,651)	(40,091)	**(2,650)**
Taxation	–	–	(81)	(155)	**(2,379)**
Loss for the year	(13,070)	(37,856)	(49,732)	(40,246)	**(5,029)**

	As at 30 April 2011 HK$'000	As at 31 December 2011 HK$'000	As at 31 December 2012 HK$'000	2013 HK$'000	2014 HK$'000
ASSETS AND LIABILITIES					
Total assets	175,042	160,607	118,661	119,404	**528,401**
Total liabilities	(57,816)	(69,941)	(13,888)	(48,856)	**(314,175)**
	117,226	90,666	104,773	70,548	**214,226**