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REORIENT GROUP LIMITED
瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the “Board”) of REORIENT GROUP LIMITED (the “Company”) announces the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2014, together with the comparative figures for the corresponding period in 2013.

The consolidated annual results of the Group were approved for announcement by the Board, which comprised Mr. Ko Chun Shun, Johnson, Mr. Jason Boyer, Mr. Brett McGonegal, Mr. Chen Shengjie, Ms. Ko Wing Yan, Samantha and Mr. Tsoi Tong Hoo, Tony (who are executive directors), Mr. Dorian M. Barak (who is a non-executive director), and Mr. Liu Zhengui, Mr. Ding Kebai, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP (who are independent non-executive directors).

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 HK\$'000	2013 HK\$'000
Revenue	3	133,370	77,516
Other operating income	4	2,585	1,451
Other net gain	5	<u>920,486</u>	<u>8,000</u>
		1,056,441	86,967
Staff costs	6(a)	(237,490)	(124,088)
Depreciation		(3,583)	(3,385)
Other operating expenses	6(b)	<u>(55,908)</u>	<u>(46,271)</u>
Profit/(loss) from operations		759,460	(86,777)
Finance costs	6(c)	(154)	(754)
Share of results of associates		(1,193)	171
Gain on partial disposal of an associate		<u>1,214</u>	<u>—</u>
Profit/(loss) before taxation	6	759,327	(87,360)
Income tax	7	<u>(450)</u>	<u>—</u>
Profit/(loss) for the year		<u>758,877</u>	<u>(87,360)</u>
Profit/(loss) attributable to equity shareholders of the Company		758,856	(87,385)
Profit attributable to non-controlling interests		<u>21</u>	<u>25</u>
Earnings/(loss) per share attributable to equity shareholders of the Company			
Basic (HK\$)	9(a)	<u>1.73</u>	<u>(0.22)</u>
Diluted (HK\$)	9(b)	<u>1.73</u>	<u>(0.22)</u>

Details of dividends declared for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) for the year	758,877	(87,360)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of results of foreign operations	<u>(156)</u>	<u>316</u>
Total comprehensive income for the year	<u>758,721</u>	<u>(87,044)</u>
Total comprehensive income for the year attributable to:		
— equity shareholders of the Company	758,776	(87,219)
— non-controlling interests	<u>(55)</u>	<u>175</u>
	<u>758,721</u>	<u>(87,044)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Fixed assets		5,289	6,247
Intangible assets		550	550
Interests in associates	<i>11</i>	27,311	33,076
Financial assets at fair value through profit or loss	<i>12</i>	556,427	—
Other non-current assets		8,856	805
		<u>598,433</u>	<u>40,678</u>
Total non-current assets			
Current assets			
Financial assets at fair value through profit or loss	<i>12</i>	426,387	13,629
Accounts receivable	<i>13</i>	220,576	69,727
Other receivables, deposits and prepayments		16,828	12,451
Bank balance — trust and segregated accounts		23,999	22,753
Cash and cash equivalents		74,620	111,086
		<u>762,410</u>	<u>229,646</u>
Total current assets			
Current liabilities			
Accounts payable	<i>14</i>	191,690	82,955
Accrued expenses and other payables	<i>15</i>	147,271	25,820
Amounts due to directors		531	480
Current taxation		450	—
		<u>339,942</u>	<u>109,255</u>
Total current liabilities			
Net current assets			
		<u>422,468</u>	<u>120,391</u>
NET ASSETS			
		<u>1,020,901</u>	<u>161,069</u>
EQUITY			
Share capital and other statutory capital reserves	<i>16</i>	614,919	498,231
Other reserves		400,015	(343,184)
		<u>1,014,934</u>	<u>155,047</u>
Non-controlling interests		5,967	6,022
TOTAL EQUITY			
		<u>1,020,901</u>	<u>161,069</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General information

REORIENT GROUP LIMITED is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Suites 1101-03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interests in associates.

The principal activities of the Group are securities broking, placing and underwriting, and provision of consultancy and advisory services.

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

2. Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes 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"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standards that are not yet effective for the current accounting period.

The financial report, which has been reviewed by the Company's Audit Committee, is prepared on a basis consistent with the accounting policies and methods adopted in the 2013 annual financial statements except for the changes in accounting policies described in note 2(c). The financial information set out in this report does not constitute the Group's statutory financial statements for the year ended 31 December 2014, but is derived from those financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the derivative financial instruments and financial assets designated as at fair value through profit or loss are stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

None of these developments have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as REORIENT GROUP LIMITED does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on these financial statements.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on these financial statements as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

3. Revenue

The principal activities of the Group are securities broking, placing and underwriting, and provision of consultancy and advisory services.

Revenue represents the gross amount recognised during the year. An analysis of the Group's revenue for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Brokerage commission	24,350	43,321
Consultancy and advisory fees	105,710	19,446
Placing and underwriting commission	3,080	14,596
Interest income from clients	230	153
	<u>133,370</u>	<u>77,516</u>

4. Other operating income

	2014 HK\$'000	2013 HK\$'000
Handling and settlement fees	1,385	854
Other interest income	1,200	597
	<u>2,585</u>	<u>1,451</u>

5. Other net gain/(loss)

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Net unrealised gain on financial assets at fair value through profit or loss		
— Convertible preferred shares	555,997	—
— Options	(1,357)	8,000
— Equity investment listed in Hong Kong	365,846	—
	<u>920,486</u>	<u>8,000</u>

6. Profit/(loss) before taxation

Profit/(loss) before taxation is arrived at after charging:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Staff costs		
Commission paid	111	132
Equity-settled share-based payment expenses	18,478	—
Salaries, allowances and benefits in kind	217,987	123,097
Contributions to Mandatory Provident Fund	914	859
	<u>237,490</u>	<u>124,088</u>
(b) Other operating expenses		
Auditor's remuneration	1,200	1,100
Legal and professional costs	6,445	7,790
Operating lease payments — property rentals	6,496	5,767
Information, data and communication expenses	14,574	12,627
Provision for impairment loss of accounts receivable	2,095	40
Net exchange loss	295	568
Entertainment and travelling	11,076	7,435
	<u>43,183</u>	<u>35,327</u>
(c) Finance costs		
Interest expense on bank loans and overdrafts	21	49
Others	133	705
	<u>154</u>	<u>754</u>

7. Income tax

(a) Taxation in the consolidated income statement represents:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	450	—
Under/(over)-provision in respect of prior years	<u>—</u>	<u>—</u>
Total tax charge for the year	<u><u>450</u></u>	<u><u>—</u></u>

The provision for Hong Kong profits tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit/(loss) before taxation	<u><u>759,327</u></u>	<u><u>(87,360)</u></u>
Notional tax on profit/(loss) before taxation, calculated at 16.5% (2013: 16.5%)	125,289	(14,414)
Tax effect of non-deductible expenses	1,148	189
Tax effect of non-taxable revenue	(92,040)	(4)
Tax effect of utilisation of tax losses previously not recognised	(34,223)	(1,545)
Tax effect of tax losses not recognised	—	15,598
Others	<u>276</u>	<u>176</u>
Actual tax expense	<u><u>450</u></u>	<u><u>—</u></u>

8. Dividend

No dividend was paid or proposed for the year ended 31 December 2014 (2013: nil), nor has dividend been proposed since the end of the reporting period.

9. Earnings/(loss) per share

(a) *Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2014 of HK\$758,856,000 (2013: a loss of HK\$87,385,000), and the weighted average number of shares in issue less shares held for share award scheme during the year ended 31 December 2014 of 438,209,142 (2013: 399,067,129).

(b) *Diluted earnings/(loss) per share*

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company for the year ended 31 December 2014 of HK\$758,856,000 (2013: a loss of HK\$87,385,000), and the weighted average number of shares less shares held for share award scheme during the year ended 31 December 2014 of 438,250,077 (2013: 399,067,129).

10. Segment reporting

The operating segments have been determined based on the reports reviewed by the executive directors of the Company that are used for performance assessment and to make strategic decisions. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has three operating segments:

- (i) Securities brokerage,
- (ii) Securities placing and underwriting, and
- (iii) Consultancy and advisory services.

The accounting policies and the basis of segmentation of the reportable segments are the same as those followed by the Group in the last annual financial statements.

Segment revenue represents the revenue generated by each operating segment from external customers. Inter-segment revenue represents inter-segment services which were transacted with reference to the normal commercial price made to third parties at the then prevailing market prices.

Segment results represent specific operating performance of the reported segments by allocating all specific and related operating costs, excluding other corporate, general administrative, and financial expenses, taxation and non-operating costs. This is the measure reported to the chief operating decision-maker, at the relevant times, for the purposes of resource allocation and performance assessment.

(a) *Segment revenue and results*

	2014			Total <i>HK\$'000</i>
	Securities brokerage <i>HK\$'000</i>	Securities placing and underwriting <i>HK\$'000</i>	Consultancy and advisory services <i>HK\$'000</i>	
Revenue from external parties	24,350	3,080	105,710	133,140
Interest income from clients	230	—	—	230
Allocated other income	1,385	—	—	1,385
Allocated operating costs	(66,941)	(9,702)	(43,119)	(119,762)
Allocated finance costs	(11)	(1)	—	(12)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment (loss)/profit	(40,987)	(6,623)	62,591	14,981
Unallocated other income				1,200
Net gain on financial assets at fair value through profit or loss				920,486
Gain on partial disposal of an associate				1,214
Share of results of associates				(1,193)
Depreciation				(3,583)
Finance costs				(142)
Legal and professional expenses				(4,784)
Taxation				(450)
Other central administrative costs				(168,852)
				<u> </u>
Profit for the year				<u>758,877</u>

	2013			Total <i>HK\$'000</i>
	Securities brokerage <i>HK\$'000</i>	Securities placing and underwriting <i>HK\$'000</i>	Consultancy and advisory services <i>HK\$'000</i>	
Revenue from external parties	43,321	14,596	19,446	77,363
Interest income from clients	153	—	—	153
Allocated other income	854	—	—	854
Allocated operating costs	(101,171)	(12,512)	(27,464)	(141,147)
Allocated finance costs	(675)	(75)	—	(750)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment (loss)/profit	(57,518)	2,009	(8,018)	(63,527)
Unallocated other income				597
Net gain on financial assets at fair value through profit or loss				8,000
Share of results of an associate				171
Depreciation				(3,385)
Finance costs				(4)
Legal and professional expenses				(5,240)
Other central administrative costs				(23,972)
				<u> </u>
Loss for the year				<u>(87,360)</u>

(b) Segment assets and liabilities

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

(c) Geographical segment information

The Group's customers, operation and administration are mainly located in Hong Kong. The business activities of the Group's associates are mainly located in the Republic of Korea and the United States.

(d) Information about major customers

		Revenue from major customers	
		2014	2013
Operating Segment		HK\$'000	HK\$'000
Customer A	Consultancy and advisory	29,705	N/A ¹
Customer B	Consultancy and advisory	24,925	N/A ¹
Customer C	Consultancy and advisory	17,850	N/A ¹

¹ No customer accounted for more than 10% of the total revenue of the Group for the year ended 31 December 2013.

11. Interests in associates

	2014	2013
	HK\$'000	HK\$'000
Carrying value, net	27,311	33,076

Name of associate	Form of business structure	Place of Incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest		
				Group's Effective interest	Held by a subsidiary	Principal activities
EQ Partners Co. Ltd.	Incorporated	The Republic of Korea	223,500 common shares of KRW 5,000 each and 73,500 preferred shares of KRW 5,000 each	19.75%	19.75%	As the executive partners of private equity funds and provision of management advisory services
ReOil, LLC	Incorporated	USA	300 Series A units of US\$100 each	25%	25%	Provide specialist technical and management services to clients interested in oil and natural gas assets

On 15 February 2013, the Group purchased 25% equity interest in EQ Partners Co. Ltd, for a consideration of approximately HK\$32.9 million. As part of the acquisition, the Group received a put option issued by the seller. Details of the acquisition and the put option were disclosed in the announcement of the Company dated 18 February 2013. As at 31 December 2014, the management considers the value of this option to be minimal.

On 18 July 2014, the Group sold 5.25% equity interest in EQ Partners Co. Ltd, for a consideration of approximately HK\$8.1 million.

12. Financial assets at fair value through profit or loss

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<i>Non-current financial assets at fair value through profit or loss</i>		
Investment designated as at fair value through profit or loss		
— Convertible preferred shares	<u>556,427</u>	<u>—</u>
<i>Current financial assets at fair value through profit or loss</i>		
Investment designated as at fair value through profit or loss		
— Equity investment listed in Hong Kong	413,911	—
— Equity investment listed outside Hong Kong	204	—
Held for trading		
— Options	<u>12,272</u>	<u>13,629</u>
	<u>426,387</u>	<u>13,629</u>

13. Accounts receivable

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts receivable arising from securities brokerage:		
— Cash clients	167,798	14,096
— Margin clients	26,122	26,122
— Clearing house, brokers and dealers	<u>1,402</u>	<u>54,734</u>
	195,322	94,952
Accounts receivable arising from consultancy and advisory services		
— Corporate clients	<u>53,535</u>	<u>1,381</u>
	248,857	96,333
<i>Less: allowance for doubtful debts</i>	<u>(28,281)</u>	<u>(26,606)</u>
	<u>220,576</u>	<u>69,727</u>

The fair value of accounts receivable approximates its carrying amount.

(a) Ageing analysis of accounts receivable

The ageing analysis of accounts receivable net of allowance for doubtful debts as of the end of the reporting period is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current	<u>207,063</u>	<u>65,905</u>
Less than 1 month past due	710	1,974
1 to 3 months past due	409	809
More than 3 months past due	<u>12,394</u>	<u>1,039</u>
Amounts past due	<u>13,513</u>	<u>3,822</u>
	<u>220,576</u>	<u>69,727</u>

The Group has procedures and policies to assess the client's credit quality and defines credit limits for each client. All client acceptance and credit limit are approved by designated approvers according to the client's credit worthiness.

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

Included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of HK\$13,513,000 (2013: HK\$3,822,000) which are past due at the end of the reporting period for which the Group has not made provision for impairment loss.

Accounts receivable from cash clients of HK\$450,000 (2013: nil) and HK\$57,000 (2013: HK\$2,443,000) which are past due but not impaired represent client trades on The Australia Securities Exchange Limited and The Stock Exchange of Hong Kong Limited respectively which are unsettled beyond the settlement date. No impairment loss was provided for these balances as either the Group holds securities collateral for those balances with fair values in excess of the past due amounts or the balances have been settled subsequently. Collaterals held against such accounts receivable are publicly traded securities.

Accounts receivable from corporate clients of HK\$13,006,000 (2013: HK\$1,379,000) which are past due but not impaired represent accounts receivable arising from provision of corporate finance, consultancy and advisory services which have not yet been settled and aged by their invoice date. No impairment loss was provided for these balances as these clients are trade counterparties with sound credit rating and/or reputation.

(c) *Impairment of accounts receivable*

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

The movement of the allowance for doubtful debts during the year is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
At 1 January	26,606	26,568
Impairment loss recognised	2,095	40
Amount recovered during the year	(16)	(2)
Amount written off	(404)	—
	<hr/>	<hr/>
At 31 December	28,281	26,606
	<hr/> <hr/>	<hr/> <hr/>

Included in the allowance for doubtful debts were individually impaired accounts receivable which have financial difficulties in making payments. Among the allowance for doubtful debts, approximately HK\$26,122,000 (2013: HK\$26,122,000) relates to individually impaired margin clients accounts receivable, HK\$132,000 (2013: HK\$484,000) relates to individually impaired accounts receivable arising from the business of dealing in securities and HK\$2,027,000 (2013: nil) relates to impaired accounts receivable from corporate clients.

The Group ceased providing margin financing service since 2004 and the balance represented the past due amounts due from margin clients brought forward from 2004.

14. Accounts payable

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accounts payable		
— Cash clients	28,489	82,946
— Brokers and dealers	163,201	9
	<hr/>	<hr/>
	191,690	82,955
	<hr/> <hr/>	<hr/> <hr/>

Included in accounts payable are amounts payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of the conduct of regulated activities, which amount to HK\$23,999,000 (2013: HK\$22,753,000).

All of the accounts payable are aged and due within one month or on demand.

15. Accrued expenses and other payables

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Accrued staff costs	141,168	21,365
Stamp duty, trading levy and trading fee payables	119	295
Other payables	5,984	4,160
	<u>147,271</u>	<u>25,820</u>

All accrued expenses and other payables are expected to be settled within one year or will be settled in the Group's normal operating cycle.

16. Share capital

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concepts of "authorised share capital" and "par value" no longer exist. As part of the transition to the no-par value regime, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 have become part of the Company's share capital, under the transition provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622). These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the members.

Movements of the Company's ordinary shares are set out below:

	2014		2013	
	Number of shares	<i>HK\$'000</i>	Number of shares	<i>HK\$'000</i>
Authorised ordinary shares of \$0.01 each	<u>—</u>	<u>—</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid				
Balance brought forward	411,494,527	4,115	384,494,527	3,845
Shares issued under share swap agreement	17,805,178	178	—	—
Transition to no-par value regime on 3 March 2014	—	536,670	—	—
Subscription of ordinary shares less costs of issuance of subscriptions shares	17,021,277	39,901	27,000,000	270
Shares issued under share option scheme	9,330,239	34,055	—	—
Balance carried forward	<u>455,651,221</u>	<u>614,919</u>	<u>411,494,527</u>	<u>4,115</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

The 2014 results reflect the Group's continual transformation from the building phase to execution stage of our business plans. The strong performance from our advisory group together with the innovative equity structures positioned the Group to a significant return in 2014 and a strong base to grow from in 2015.

The Group's consolidated revenue for the year was HK\$133.4 million, representing a 72% increase from HK\$77.5 million recorded in 2013. In addition, the other net gain from financial assets for the year increase from HK\$8.0 million in 2013 to HK\$920.5 million in 2014, representing the fair value gain in our equity position. The net income for the year was HK\$758.9 million versus a loss of HK\$87.4 million recorded in 2013.

The net income for the year was mainly driven by the proprietary investments which have contributed HK\$920.5 million in unrealized holding gains for the year. The value of such investment may significantly fluctuate from time to time as a result of the changes in market value of the investments.

Brokerage Business

For the year ended 31 December 2014 (the "Year"), the total value of the transactions in relation to securities brokerage by the Group amounted to approximately HK\$11.5 billion. The Group's commission income generated from securities brokerage amounted to approximately HK\$24.4 million, representing 18% (2013: 56%) of the Group's revenue for the year.

Financial Consultancy and Advisory Business

Our financial advisory business finished 2014 with a strong quarter, as income generated from consultancy and advisory services was HK\$105.7 million, representing 79% of the Group's revenue for the year ended 31 December 2014, an increase of 4.4 times as compared to the HK\$19.4 million recorded in 2013.

Placing and Underwriting Business

For the year ended 31 December 2014, the total value of transactions in relations to placing and underwriting by the Group amounted to approximately HK\$466.0 million. The Group's income generated from placing and underwriting amounted to approximately HK\$3.1 million, representing 2% of the Group's revenue for the year ended 31 December 2014.

Looking Forward

Going into 2015, we have built on the momentum created in the second half of 2014 with a strong deal flow in the Investment Banking and Corporate Finance. We will focus on deals that create value for our clients and shareholders.

Liquidity and Financial Resources

The Group's total shareholders' equity amounted to approximately HK\$1,020.9 million as at 31 December 2014 as compared to the total shareholders' equity of HK\$161.1 million reported at the end of last year. The change was attributable to the profit reported for the year ended 31 December 2014 and the issue of equity of HK\$101.1 million.

As at 31 December 2014, the Group had cash and cash equivalents of approximately HK\$74.6 million (31 December 2013: HK\$111.1 million). As at the end of the reporting date, the current ratio was measured at 2.2 times (31 December 2013: 2.1 times). The Group had no bank and other borrowing at the end of the reporting period (31 December 2013: nil).

Capital Structure

On 14 January 2014, the Company allotted and issued 17,805,178 new shares of the Company to Frontier Services Group Limited ("Frontier Services") and in return Frontier Services allotted and issued 56,976,571 new shares of Frontier Services to the Company pursuant to the share swap agreement dated 23 November 2013. Details of the share swap agreement were disclosed in the Company's announcement dated 23 November 2013.

On 26 June 2014, arrangements were made for a private placement to independent investors of 17,021,277 shares in the Company held by Gainhigh Holdings Limited ("Gainhigh"), at a price of HK\$2.35 per share. Pursuant to a subscription agreement of the same date, Gainhigh subscribed for 17,021,277 new shares in the Company at a price of HK\$2.35 per share. The subscription was completed on 9 July 2014 and 17,021,277 shares were issued to Gainhigh. After deducting the expenses in connection with private placement amounting to HK\$99,000, the net proceeds from placement of ordinary shares is HK\$39,901,000, of which approximately HK\$3,105,000 was used as a funding to an associated company in the US, whose principal activity is in the provision of technical and specialist services to clients interested in the oil and gas assets and the remaining proceeds has been deployed to support the Group's general operational funding of its core business of securities broking, corporate finance and direct investments.

On 30 October 2014, 10,495,412 share options were granted by the Company under its share option scheme to eligible persons (the "Share Option Grantees") under the share option scheme to subscribe for same number of ordinary shares of the Company, subject to acceptance of the Share Option Grantees. As at the date this report, 9,330,239 share options were exercised. Details of the share option scheme were disclosed in the Company's announcement dated 30 October 2014.

Equity Price Risk

The Group is exposed to equity price changes arising from equity investments and derivative instruments classified as financial assets at fair value through profit or loss held by the Group. The underlying equity securities of the Group's unlisted derivative are listed on The Stock Exchange of Hong Kong Limited. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are dealt with in the consolidated income statement. The performance is monitored regularly, together with an assessment of its relevance to the Group's strategic plans.

At 31 December 2014, it is estimated that an increase or decrease of 5% in the relevant stocks, with all other variables held constant, would have increased the Group's profit after tax (and retained earnings) of HK\$48,809,000 (2013: HK\$1,139,000) or decreased the Group's profit after tax of HK\$50,045,000 (2013: HK\$1,117,000).

Foreign Exchange Risk

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

During the Year, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2014.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 18 July 2014, the Group sold 5.25% equity interest in EQ Partners Co. Ltd, for a consideration of approximately HK\$8.1 million.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2014.

Charges on Assets

At the end of the reporting period, the Group did not have any charges on assets, other than a security deposit of HK\$20,000,000 for a bank overdraft facility.

Commitments

As at 31 December 2014, rental payments under non-cancellable operating leases on office premises amounted to HK\$33,220,000 (31 December 2013: HK\$6,095,000).

On 21 February 2014, Reorient Investments Limited (“Reorient Investments”), a wholly-owned subsidiary of the Company, Pelagic Advisors LLC and ReOil, LLC entered into a unit purchase agreement, pursuant to which Reorient Investments has committed to purchase up to 600 additional Series B Units from ReOil, LLC at a purchase price per unit of USD1,000 which amount shall be payable upon receipt of written notice from ReOil, LLC and in six equal instalments. As of 31 December 2014, Reorient Investments has a commitment to purchase 100 Series B Units and it has purchased 500 additional Series B Units from ReOil, LLC for a cash consideration of USD500,000 during the year.

On 29 May 2014, Reorient Global Limited (“Reorient Global”), a wholly owned subsidiary of the Company, entered into a subscription agreement with KuangChi Science Limited (“KuangChi”), pursuant to which, Reorient Global was to subscribe 66,666,666 new ordinary shares fully paid at the subscription price of HK\$0.08 per share and 107,333,334 new preferred shares partly paid as to HK\$0.004 per new preferred share (representing 5% of the subscription price of HK\$0.08 per preferred share), on completion of subscription. Reorient Global shall fully pay up the preferred shares in two tranches of 107,333,334 preferred shares, with the first and second tranche to be fully paid up within six months and one year of completion of the subscription agreement at 95% each tranche, respectively, payable by Reorient Global to KuangChi in accordance with the subscription agreement. The total investment amounted to approximately HK\$13,920,000. Details of the transaction were disclosed in the announcement of the Company dated 21 August 2014.

On 24 November 2014, Reorient Global entered into a subscription agreement with China Star Cultural Media Group Limited. Reorient Global has agreed to subscribe for 55,192,195 new ordinary shares and 55,192,194 new convertible preferred shares for a cash consideration of HK\$22,077,000, subject to the terms and conditions of the subscription agreement. The preferred shares shall be non-voting, non-redeemable and convertible to ordinary shares once they are fully paid. As of the reporting period, the above subscription agreement has not been completed.

Contingent Liabilities

The Group did not have any significant contingent liabilities as at 31 December 2014.

Staffing and Remunerations

As at 31 December 2014, the Group employed 73 full time employees, 65 of which were located in Hong Kong, 2 in the United States and 6 in the People’s Republic of China. The remuneration of employees includes salary and discretionary bonus. The Group also adopted share option and share award schemes to provide an incentive to the employees.

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

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

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

During the year ended 31 December 2014, other than acting as an agent for clients of the Group, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2014, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding director's securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon enquiry by the Company, all the directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the year ended 31 December 2014.

AUDIT COMMITTEE

The Audit Committee comprised three independent non-executive directors, Mr. Liu Zhengui, Mr. Ding Kebai, and Mr. Chu Chung Yue, Howard. Mr. Chu Chung Yue, Howard is the chairman of the audit committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2014 have been reviewed by the Audit Committee.

APPRECIATION

The Board wishes to take this opportunity to express gratitude to our employees for their contribution, devotion and dedication to the Group. We also thank our shareholders, clients and business partners for their continuous support.

For and on behalf of
REORIENT GROUP LIMITED
Ko Chun Shun, Johnson
Chairman

Hong Kong, 23 January 2015

As at the date of this announcement, the Board comprises Mr. Ko Chun Shun, Johnson, Mr. Brett McGonegal, Mr. Chen Shengjie, Ms. Ko Wing Yan, Samantha and Mr. Tsoi Tong Hoo, Tony (who are executive directors), Mr. Dorian M. Barak (who is a non-executive director), and Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP (who are independent non-executive directors).