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If you have sold or transferred all your shares in Reorient Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**SUBSCRIPTION OF NEW SHARES
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A letter from the Board is set out on pages 9 to 29 of this circular. A letter of recommendation from the Independent Board Committee is set out on page 30 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 32 to 78 of this circular.

A notice convening the EGM to be held at 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 2 September 2015, Wednesday, at 10:30 a.m. is set out on pages 169 to 171 of this circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following expressions shall have the following meanings:

“acting in concert”	has the same meaning as ascribed to it under the Takeovers Code and for the purposes of this circular include parties actually or presumed to be acting in concert (unless rebutted) to obtain or consolidate control of the Company
“Affiliate”	means any other person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified person
“Announcement”	the announcement dated 29 May 2015 of the Company regarding, among other things, the Subscription Agreements and the Whitewash Waiver
“associate(s)”	has the same meaning as ascribed to it under the Takeovers Code, unless the contexts otherwise specify
“Board”	the board of Directors
“Business Day”	day (other than a Saturday or Sunday or public holiday and any other day on which a tropical cyclone warning no. 8 or above or a “black” rain warning signal is hoisted in Hong Kong) on which commercial banks are open for business in the city in which the specified office of the registrar is located and in Hong Kong and the PRC
“Chosen Global”	Chosen Global Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Closing”	the completion of the Subscriptions
“Closing Conditions”	the conditions precedent set out under the section headed “Conditions of the Subscriptions” of this circular
“Closing Date”	the date of Closing, which shall be the seventh Business Day after the Unconditional Date, or on such other date as the parties may agree

DEFINITIONS

“Company”	Reorient Group Limited, a company incorporated in Hong Kong, the issued shares of which are listed on Main Board of the Stock Exchange
“Concert Group”	YFHL, Jade Passion and their respective parties acting in concert
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Control”	means in relation to an undertaking: (a) the power to direct the exercise of a majority of the voting rights capable of being exercised at a general meeting of that undertaking; (b) the right to appoint or remove a majority of the board of directors (or corresponding officers) of that undertaking; or (c) the right to exercise a dominant influence over that undertaking by virtue of provisions contained in its constitutional documents or under a control contract or otherwise. In each case either directly or indirectly and “Controlled” and “Controlling” shall be construed accordingly
“Deed of Undertaking”	the deed of undertaking executed by Mr. Ko dated 7 May 2015 pursuant to which certain representations, warranties, indemnities, covenants and assurances were provided to the Investors
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to approve, among other things, the YFHL Subscription, the Other Investors’ Subscriptions and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“Extended Longstop Date”	has the meaning given to it in the section headed “Closing of Subscription” of this circular
“FINRA”	the Financial Industry Regulatory Authority, Inc., an independent regulator for all securities firms doing business in the United States of America
“Gentle Bright”	Gentle Bright Development Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Gold Ocean”	Gold Ocean Investments Group Inc., a company incorporated under the laws of British Virgin Islands with limited liability
“Group”	the Company and its Subsidiaries from time to time
“Harbour Yields”	Harbour Yields Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Licensed Corporations”	Reorient Financial Markets Limited (瑞東金融市場有限公司) and Reorient Capital Markets Limited (瑞東資本市場有限公司), each of which is a Subsidiary of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established by the Board, comprising all the non-executive Directors, namely Mr. Dorian M. Barak, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP to advise the Independent Shareholders in respect of the YFHL Subscription, the Other Investors’ Subscriptions and the Whitewash Waiver
“Independent Financial Adviser”	Somerley Capital Limited

DEFINITIONS

“Independent Shareholders”	Shareholders other than Concert Group, the Other Investors and their respective associates and other Shareholders who are interested in or involved in or have a material interest in the YFHL Subscription or the Other Investors’ Subscriptions or the Whitewash Waiver
“Investors”	YFHL and the Other Investors
“Jade Passion”	Jade Passion Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Key Imagination”	Key Imagination Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
“Last Trading Day”	20 April 2015, being the last Trading Day of the Shares before the entering into of the Subscription Agreements
“Latest Practicable Date”	14 August 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Licences and Approvals”	<p>means all certificates, authorisations, licences, orders, consents, approvals and permits possessed by each member of the Group issued by all appropriate national, state, local and other governmental agencies and regulatory bodies, all exchanges and all courts and other tribunals, domestic and foreign, necessary to own or lease, as the case may be, and to construct, develop and operate its assets and to conduct the business now operated by the relevant member of the Group and the licences and registrations as described below:</p> <p>(a) Reorient Capital Markets Limited is licensed by the SFC or under the SFO to carry on type 1 of regulated activities as specified in the SFO and is an Exchange Participant of the Stock Exchange;</p>

DEFINITIONS

- (b) Reorient Financial Markets Limited is licensed by the SFC or under the SFO to carry on type 1, type 4, type 6 and type 9 of regulated activities as specified in the SFO and is an Exchange Participant of the Stock Exchange;
- (c) Reorient Finance Limited is registered as a money lender under the Money Lender Ordinance (Chapter 163 of the Laws of Hong Kong); and
- (d) the US Licensed Corporation is registered as a broker or dealer pursuant to section 15(b) of the Exchange Act with FINRA's Central Registration Depository System

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Longstop Date” 31 October 2015

“Material Adverse Effect” means any event, circumstance or effect or any combination of them which is, or which could reasonably be expected to be, materially adverse to (i) the business, operations, business results or financial condition of the Group taken as a whole or to (ii) the ability of the Company to perform its obligations under the Subscription Agreements or to complete the Subscriptions, excluding in any such case, any event, circumstance or effect resulting from the following or any combination of the following:

- (a) performance of obligations under, or compliance with, the terms and conditions of the Subscription Agreements; or
- (b) pandemics, earthquakes, hurricanes, tornadoes or other natural disasters, or fire, war, riot, terrorism or similar force majeure events, provided that any such events do not disproportionately and substantially affect the Group in any material respect

DEFINITIONS

“Material Employees”	means material employees of the members of the Group as agreed between Mr. Ko and the Investors in good faith
“Mr. Ko”	Mr. Ko Chun Shun, Johnson
“Mr. Ko Shares”	229,180,726 Shares held by Gainhigh Holdings Limited which is wholly-owned by Insula Holdings Limited, a company wholly-owned by Mr. Ko
“Other Investors”	Harbour Yields, Violet Passion, Gentle Bright and Chosen Global
“Other Investors’ Subscriptions”	the subscription of an aggregate of 599,544,000 Shares by the Other Investors
“PRC” or “China”	The People’s Republic of China
“Relevant Period”	the period beginning six months prior to the date of the Announcement and up to the Latest Practicable Date
“SFC”	the Securities and Futures Commission
“SFO”	the Hong Kong Securities and Futures Ordinance
“Share(s)”	the ordinary share(s) in the issued share capital of the Company
“Share Award Scheme”	means the share award scheme approved by the Board on October 17, 2014, which came into effect on October 30, 2014 as amended from time to time
“Share Option Scheme”	any scheme approved by the Company at a general meeting (whether before or after the date hereof) and in compliance with the requirements of the Listing Rules pursuant to which Shares or other securities (including rights or options) are or may be issued, offered or granted to employees (including directors) or former employees of the Group and/or associated companies, or persons related to such employees (including directors) or former employees or eligible participants of such scheme

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription of the Subscription Shares under the Subscription Agreements
“Subscription Agreements”	the YFHL Subscription Agreement and the four conditional subscription agreements entered into by the Company with each of Harbour Yields, Violet Passion, Gentle Bright and Chosen Global in respect of the Subscriptions dated 7 May 2015
“Subscription Price”	HK\$2.00 per Subscription Share
“Subscription Shares”	1,942,520,000 new Shares, in aggregate, to be subscribed by the Investors, and each a Subscription Share
“Subsidiaries”	includes, in relation to any person: (i) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect the directors, managers or trustees of such company or business entity; (ii) any company or business entity of which that person owns or controls (either directly or through one or more other subsidiaries) not more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or business entity but effectively controls (either directly or through one or more other subsidiaries) the management of the direction of business operations of such company or business entity; and (iii) any company or business entity which at any time has its accounts consolidated with those of that person or which, under Hong Kong law or any other applicable law regulations or the Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants from time to time or such other applicably generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers issued by the SFC as amended from time to time
“Trading Day”	a day on which the Shares are traded on the Stock Exchange
“Unconditional Date”	the date on which all the Closing Conditions have been satisfied (or waived in accordance with the Subscription Agreements)
“US Licensed Corporation”	means Reorient Financial Markets (USA) LLC, which is a Subsidiary of the Company
“Violet Passion”	Violet Passion Holdings Limited, a company incorporated under the laws of British Virgin Islands with limited liability
“Whitewash Waiver”	means a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Jade Passion to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Concert Group which would, if the YFHL Subscription proceeds, otherwise arise as a result of the issue of the YFHL Subscription Shares to Jade Passion upon Closing
“YFHL”	Yunfeng Financial Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability
“YFHL Subscription”	the subscription of the YFHL Subscription Shares under the YFHL Subscription Agreement
“YFHL Subscription Agreement”	the conditional subscription agreement entered by the Company with YFHL in respect of the YFHL Subscription dated 7 May 2015
“YFHL Subscription Shares”	1,342,976,000 new Shares to be subscribed by YFHL under the YFHL Subscription Agreement

LETTER FROM THE BOARD



REORIENT GROUP LIMITED

瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

Executive Directors:

Mr. Ko Chun Shun, Johnson

Mr. Brett McGonegal

Mr. Chen Shengjie

Ms. Ko Wing Yan, Samantha

Mr. Tsoi Tong Hoo, Tony

Registered Office:

11/F, Far East Finance Centre, 16

Harcourt Road, Admiralty, Hong Kong

Non-executive Director:

Mr. Dorian M. Barak

Independent non-executive Directors:

Mr. Liu Zhengui

Mr. Chu Chung Yue, Howard

Dr. Wong Yau Kar, David, BBS, JP

18 August 2015

To the Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES
APPLICATION FOR WHITEWASH WAIVER
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 29 May 2015, the Company announced YFHL and the Other Investors entered into the Share Subscription Agreements with the Company pursuant to which the Investors have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,942,520,000 Subscription Shares at an issue price of HK\$2.00 per

LETTER FROM THE BOARD

Subscription Share to the Investors in an aggregate amount of HK\$3,885,040,000. Out of the 1,942,520,000 Subscription Shares, 1,342,976,000 Subscription Shares representing a shareholding percentage of approximately 55.97% of the enlarged issued share capital of the Company upon Closing, would be subscribed for by Jade Passion, an indirect subsidiary owned as to 73.21% by YFHL, subject to the terms and conditions of the Subscription Agreements.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Subscriptions and the Whitewash Waiver, (ii) the recommendations of the Independent Board Committee to the Independent Shareholders in relation to the Subscriptions and the Whitewash Waiver, (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription and the Whitewash Waiver, and (iv) the notice of the EGM.

THE SUBSCRIPTION AGREEMENTS

Date : 7 May 2015 (and amended by the supplemental Subscription Agreements entered into by each of the Investors with the Company dated 17 August 2015, principal terms of which are as detailed in the “Conditions of the Subscriptions” section in this circular)

Issuer : the Company

Investors : YFHL, Harbour Yields, Violet Passion, Gentle Bright and Chosen Global (each of which entered into a separate Share Subscription Agreement with the Company)

Pursuant to the YFHL Subscription Agreement, the YFHL Subscription Share shall be at Closing issued to an indirectly controlled subsidiary of YFHL and, Jade Passion, a 73.21% owned subsidiary of YFHL, is the indirectly controlled subsidiary for this purpose

The Investors and Jade Passion and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. Please refer to the section headed “Information of the Investors” for more information of the Investors

LETTER FROM THE BOARD

THE SUBSCRIPTIONS

On 7 May 2015, the Company and the Investors entered into five Subscription Agreements pursuant to which each of the Investors has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,942,520,000 Subscription Shares at an issue price of HK\$2.00 per Subscription Share to the Investors in an aggregate amount of HK\$3,885,040,000.

The following table sets out a summary of the Subscription Shares to be subscribed for by each of the Investors pursuant to the Subscription Agreements:

Name of Subscribers	Number of Subscription Shares	Shareholding as a % to the enlarged share capital of the Company at Closing assuming that: (a) Closing under the Subscription Agreements have duly taken place; and (b) there will be no other change to the share capital of the Company from the date of the Announcement to Closing	Shareholding as a % to the existing share capital of the Company at the Latest Practicable Date assuming that there will be no change to the share capital of the Company from the Latest Practicable Date to Closing other than the issue of the Subscription Shares
YFHL through its indirectly controlled subsidiary, Jade			
Passion	1,342,976,000	55.97%	294.00%
Harbour Yields	155,882,000	6.50%	34.12%
Violet Passion	167,872,000	7.00%	36.75%
Gentle Bright	167,872,000	7.00%	36.75%
Chosen Global	107,918,000	4.50%	23.62%

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price of HK\$2.00 per Subscription Share represents:

- (i) a discount of approximately 77.78% to the closing price of HK\$9.00 per Share as quoted on the Stock Exchange on 20 April 2015, being the Last Trading Day;
- (ii) a discount of approximately 73.72% to the average of the closing price per Share of approximately HK\$7.61 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 71.14% to the average of the closing price per Share of approximately HK\$6.93 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iv) a discount of approximately 10.71% to the latest audited net assets value per Share of the Company of HK\$2.24 as at 31 December 2014; and
- (v) a discount of approximately 82.27% to the closing price per Share of HK\$11.28 as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Investors after taking into account the prevailing market price of the Shares, the trading volume of the Shares, the portfolio of the financial assets held by the Company and their market value and the trading position, prospect of the Group's existing business and, the future business opportunities, relationships and capabilities potentially made available through the relationships between the Company and the Investors.

Conditions of the Subscriptions

The obligations of the Investors to subscribe and pay for, and the obligations of the Company to issue, the Subscription Shares to the Investors are subject to the fulfilment or waiver (as the case may be) of the following conditions precedent:

- (1) **Approvals:** all necessary approvals for the Subscriptions required under the articles of association of the Company, applicable laws (including the Takeovers Code) and the Listing Rules having been obtained, including:
 - (i) the passing by the requisite majority of Shareholders or Independent Shareholders (as appropriate) in the EGM of all resolutions required under relevant laws and regulations, including pursuant to the Listing Rules and the Takeovers Code, in respect of, among other things, the specific mandates for the allotment and issue of the Subscription Shares and the Whitewash Waiver;

LETTER FROM THE BOARD

- (ii) the appointment of the Investors' nominees as Directors of the Company effective upon Closing by the Board or by the passing of ordinary resolutions by the Shareholders; and
 - (iii) the granting of the approval for the listing of, and permission to deal in the Subscription Shares by the Listing Committee of the Stock Exchange;
- (2) **US Licence:** the US Licensed Corporation:
 - (i) being a member in good standing of FINRA and any capital deficiency shall have been addressed to the satisfaction of FINRA with evidence thereof provided to the Investors; and
 - (ii) having made an application to FINRA in relation to the indirect change in the ownership of the US Licensed Corporation as a result of the Subscriptions;
- (3) **Material Employees:** the Material Employees entering into new employment contracts or renewing their existing employment contracts with the members of the Group, in each case with terms and conditions reasonably satisfactory to the Investors;
- (4) **Resignations:** all current executive Directors as of the date of the Subscription Agreements (except for Mr. Ko and Mr. Brett McGonegal) having resigned from their positions as Directors with effect from Closing;
- (5) **Due Diligence:** the Investors having completed its due diligence of the Group to its satisfaction within 40 days from the date of the Subscription Agreements;
- (6) **Compliance:**
 - (i) the representations and warranties of the Company in the Subscription Agreements continuing to be true, accurate and correct in all material respects as of the Closing Date; and
 - (ii) the Company having performed all of its obligations and undertakings under the Subscription Agreements to be performed on or before such date;
- (7) **Material Adverse Effect:** no Material Adverse Effect on members of the Group having occurred since the date of the Subscription Agreements;

LETTER FROM THE BOARD

- (8) **Licences and Approvals:** the Company delivering to the Investors a confirmation made by the Board including all independent non-executive Directors after due and careful enquiry of the following statement:

“After due and careful enquiry, we hereby confirm that no fact or circumstance exists which would or might reasonably be expected to result in any Licences and Approvals being revoked, suspended, cancelled, varied or not renewed and no fact or circumstance exists which would or might reasonably be expected to cause any condition of any Licences and Approvals being breached or violated.”;

- (9) **Whitewash Waiver:** the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn;
- (10) **Investors’ Warranties:** the representations and warranties of the Investors in the Subscription Agreements continuing to be true, accurate and correct in all material respects as of the Closing Date; and
- (11) **SFC Approval:** in respect of the YFHL Subscription, Jade Passion, YFHL and such other person(s) or entity(ies) which will be regarded as substantial shareholder(s) (as such term is defined under Schedule 1 to the SFO) of each of the HK Licensed Corporations under Section 132 of the SFO as a result of the YFHL Subscription having been approved by the SFC to become, or continue to be, a substantial shareholder (as such term is defined under Schedule 1 to the SFO) of each of the HK Licensed Corporations under Section 132 of the SFO.

The Investors may at any time by notice in writing to the other parties waive any of the conditions set out in paragraphs (2)(i), (3) – (8) above. The Company may at any time by notice in writing to the other parties waive the conditions set out in paragraphs (10) above. The conditions set out in (1), (2)(ii), (9) and (11) are not waivable by the Company or the Investors. Furthermore, the Other Investors’ Subscriptions are subject to the concurrent Closing of the YFHL Subscription. Hence, among other things, if the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders at the EGM, the Subscriptions will not proceed.

LETTER FROM THE BOARD

On 17 August 2015, each of the Investors has entered into a supplemental Subscription Agreement with the Company to amend the Subscription Agreements. The amendments relate to the conditions precedents in paragraphs 1(ii) and 2(ii) above and as a result of the amendments, the Investors' nominees can be appointed as Directors of the Company either by the Board or by Shareholders' resolutions. The Company considers that this allows flexibility for the Company to meet the condition within a shorter period of time in light of the fact that the Investors' nominees have not yet been identified. Secondly, upon receiving further legal advice, approval of FINRA for indirect change in the ownership of the US Licensed Corporation as a result of the Subscriptions is not legally required for the Closing. However, application to FINRA is a legal requirement. The relevant condition has therefore been amended accordingly. Furthermore, the Investors have confirmed that they would waive condition in paragraph 7 above in relation to the fair value downward change of the Group's financial asset holdings as announced by the Company in its Profit Warning announcement dated 8 July 2015.

As at the Latest Practicable Date, the conditions set out in paragraphs (2)(ii) and (5) have been satisfied.

Closing of Subscriptions

Closing will take place on the seventh Business Day following the Unconditional Date, or on such other date as the parties to each Subscription Agreement may agree. If the Closing Conditions have not been satisfied or waived on or before the Longstop Date, the Investors may either (i) terminate the Subscription Agreements with immediate effect, by written notice to the other parties five Business Days after the Longstop Date; or (ii) at any time up to five Business Days prior to the Longstop Date, the parties can mutually agree to extend the Longstop Date to such later date as the parties may determine (such date being not more than 90 days after the Longstop Date) (the "**Extended Longstop Date**"). If the Closing Conditions have not been satisfied or waived by such Extended Longstop Date, then the Subscription Agreements (other than certain provisions designated as surviving provisions) shall automatically terminate. In the event of termination of the Subscription Agreements, the parties shall be released and discharged from their respective obligations under the Subscription Agreements (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach).

LETTER FROM THE BOARD

YFHL's Lock-up Undertakings

YFHL undertakes to and covenants with the Company that, unless with the prior written consent of the Company and Mr. Ko, it will not and it will procure its Affiliates not to, during the period commencing from Closing Date and ending on the expiry of 18 months from the Closing Date, directly or indirectly, including by or through its Affiliates:

- (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of (i) the YFHL Subscription Shares or (ii) any Shares deriving from the YFHL Subscription Shares as a result of share consolidation, subdivision or bonus issue ((i) and (ii) are collectively referred to as the “**Lock-up Shares**”); or
- (ii) enter into a swap or other arrangement that would have the effect of transferring to another party any of the economic benefits of ownership of the Lock-up Shares, for the purpose of hedging its or any of its Affiliate's economic or beneficial ownership in, or holdings of, the Lock-up Shares.

Each of the Company and Mr. Ko has granted written consent to YFHL to pledge up to all of the YFHL Subscription Shares to be issued to YFHL solely for the purpose of financing the YFHL Subscription. YFHL undertakes to inform the Company and Mr. Ko the details of the lender and the number of YFHL Subscription Shares to be pledged once such information is known.

Mr. Ko's Deed of Undertaking

Pursuant to the Deed of Undertaking, Mr. Ko has undertaken to and covenanted with each of the Investors that, without the prior consent of the Investors, he shall not, and he shall procure his Affiliates not to, during the period commencing on the date of the Deed of Undertaking and ending on the expiry of 18 months from the Closing Date, directly or indirectly, including by or through his Affiliates:

- (a) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, whether directly or indirectly, the Mr. Ko Shares; or

LETTER FROM THE BOARD

- (b) enter into a swap or other arrangement that would have (i) the same economic consequences as subparagraph (a) above (including any arrangement of the nature set out in subparagraph (a) above in respect of the shares held by Mr. Ko in Insula Holdings Limited or the shares held by Insula Holdings Limited in Gainhigh Holdings Limited) or (ii) the effect of transferring to another party any of the economic benefits of ownership of the Mr. Ko Shares, for the purpose of hedging his or any of his Affiliates' economic or beneficial ownership in, or holdings of, the Mr. Ko Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, (i) the relevant securities of the Company comprise 456,816,394 issued and fully-paid up ordinary Shares; and (ii) the Company has no other outstanding convertible securities, options, warrants or other derivatives in issue which are convertible or exchangeable into Shares.

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately following Closing (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing):

Existing Shareholders	Name of Subscribers	Existing number of issued Shares	As a % of existing share capital of the Company	Number of new Subscription Shares	As a % of existing issued number of Shares	Enlarged issued number of Shares on Closing	As a % of enlarged issued number of Shares
	Gainhigh Holdings Limited	229,180,726	50.17%	—	—	229,180,726	9.55%
	Mr. Brett McGonegal	10,410,914	2.28%	—	—	10,410,914	0.43%
	— Concert Group	—	—	1,342,976,000	294.00%	1,342,976,000	55.97%
Subtotal:		239,591,640	52.45%	1,342,976,000	294.00%	1,582,567,640	65.95%
Public							
	— Gentle Bright	—	—	167,872,000	36.75%	167,872,000	7.00%
	— Violet Passion	—	—	167,872,000	36.75%	167,872,000	7.00%
	— Harbour Yields	—	—	155,882,000	34.12%	155,882,000	6.50%
	— Chosen Global	—	—	107,918,000	23.62%	107,918,000	4.50%
	Shaw David Elliot	31,584,000	6.91%	—	—	31,584,000	1.31%
Other public Shareholders							
	—	185,640,754	40.64%	—	—	185,640,754	7.74%
Total:		456,816,394	100%	1,942,520,000	425.24%	2,399,336,394	100%

LETTER FROM THE BOARD

INFORMATION ON THE GROUP

The principal activity of the Group is investment holding. The principal activities of the Subsidiaries of the Group are securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding.

INFORMATION ON THE INVESTORS

YFHL is a company incorporated in the Cayman Islands with limited liability. Its primary business is investment holding. YFHL is owned as to 60% by Mr. Yu Feng and 40% by Mr. Ma Yun. Mr. Yu Feng is the founder of Yunfeng Fund which was launched in 2010 and Mr. Ma Yun is the executive chairman of Alibaba Group Holding Limited.

Jade Passion is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. Jade Passion is owned as to 73.21% by Key Imagination and 26.79% by Gold Ocean. It was established for the purpose of holding the YFHL Subscription Shares.

Key Imagination is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. Key Imagination is owned as to 68% by YFHL, as to 19% by Perfect Merit Limited (a company incorporated in the British Virgin Islands and wholly-owned by Mr. Huang Xin), as to 2.03% by each of Union Sky Holding Group Limited (a company incorporated in the British Virgin Islands and wholly-owned by Mr. Shi Yuzhu) and Deep Prime Limited (a company incorporated in the British Virgin Islands and wholly-owned by Ms. Liu Guangxia) and as to 8.94% by Basic Core Holdings Limited (a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wu Nanbin). Mr. Huang Xin is a professional investor, particularly in the telecommunications, media and technology sector, and has made various investments in companies in such sector. Mr. Shi Yuzhu is the chairman of the board of directors of Giant Interactive Group Inc., a company listed on the New York Stock Exchange (NYSE: GA). Ms. Liu Guangxia is the vice chairman of the board of directors of Joincare Pharmaceutical Industry Group Co., Ltd. (健康元藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600380). Mr. Wu Nanbin is an entrepreneur in the telecommunications, media and technology sector and is the largest shareholder of Shanghai Jubao Network Technology Co., Ltd. (上海聚寶網絡科技股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 831226).

Gold Ocean is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. Gold Ocean is wholly-owned by Asia Newpower Group Inc. which is in turn wholly-owned by Mr. Huang Youlong. Mr. Huang is an experienced business entrepreneur and a professional investor who has invested in other Hong Kong listed companies.

LETTER FROM THE BOARD

Harbour Yields is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. It is wholly-owned by Alpha Estate Holdings Limited, which is in turn wholly-owned by Ms. Sun Dan. Ms. Sun is a professional investor who has made various investments in Hong Kong and Asia financial markets including investments in companies engaged in financial services and mobile internet business.

Violet Passion is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. It is wholly-owned by Clear Expert Limited, which is in turn wholly-owned by Ms. Lian Yi. Ms. Lian is a professional investor who has made various investments in Hong Kong and Asia financial markets including investments in companies engaged in financial services and internet business.

Gentle Bright is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. It is wholly-owned by Ms. Lu Yongqing. Ms. Lu is a professional investor who has invested in multiple start-up companies.

Chosen Global is a company incorporated in the British Virgin Islands with limited liability. Its primary business is investment holding. It is wholly-owned by Eagle Mission Investments Limited, which is in turn wholly-owned by Ms. Fan Yufang. Ms. Fan is a professional investor who has made various investments in Hong Kong and Asia financial markets including investments in companies engaged in financial services and consumer business.

There are no personal or business relationships between the Concert Group and each of the Other Investors and their respective beneficial owners. None of the members of the Concert Group is a party acting in concert with any of the Other Investors. None of the Investors has entered into or intends to enter into any agreement or arrangement (either explicit or implicit) or understanding (whether formal or informal) with any of the other Investors in connection with the Subscriptions and/or the voting rights of the Company, save for the fact that (i) the Other Investors' Subscriptions are subject to the Closing of the YFHL Subscription; (ii) YFHL shall take the lead in the due diligence of the Group; and (iii) the voting rights in respect of the YFHL Subscription Shares shall be exercised by Jade Passion as the legal and beneficial owner of such Shares and no other members of the Concert Group shall individually have any voting right in respect of the YFHL Subscription Shares.

LETTER FROM THE BOARD

CONCERT GROUP'S DEALING AND INTEREST IN THE COMPANY'S SECURITIES

As at the Latest Practicable Date, save for the YFHL Subscription, (i) the Concert Group does not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any outstanding derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (ii) the Concert Group has not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; (iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Concert Group, which might be material to the YFHL Subscription and the Whitewash Waiver, with any other persons; (iv) there is no agreement or arrangement to which any member of the Concert Group is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the YFHL Subscription and the Whitewash Waiver; and (v) none of the members of the Concert Group has received any irrevocable commitment to vote for or against the YFHL Subscription or the Whitewash Waiver.

Except for the entering into of the YFHL Subscription Agreement, none of the members of the Concert Group, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the YFHL Subscription Agreement and up to the Latest Practicable Date.

FUTURE INTENTION OF YFHL REGARDING THE GROUP

Following the Closing, YFHL intends to undertake a detailed strategic review on the Group for the purpose of formulating business plans and strategies for the future business development of the Group and determining what changes, if any, would be appropriate or desirable in order to optimise and rationalise the business activities and assets portfolio (in particular, the financial assets) of the Group. It is the intention of YFHL for the Group to solidify its existing business and continue to strengthen its expertise in the areas of proprietary trading, brokerage, investment and corporate advisory, asset allocation, wealth management and risk management solutions. Further, the Group will be able to leverage on YFHL's access to capabilities in Internet technology and big data, as well as cross-border resources. The long-term vision of YFHL is to develop the Group into an innovative internet financial services institution providing comprehensive financial services spanning both domestic and overseas capital markets.

LETTER FROM THE BOARD

Depending on the results of the strategic review and if and when appropriate opportunities arise, it is possible that the Group may develop new businesses or new platforms such as internet financial services business and private wealth management and may establish presence outside of Hong Kong through acquisitions or otherwise. As a result, it is also possible that adjustments may need to be made to the staffing requirements to suit any new businesses or new platforms to be developed by the Group. Save as aforesaid, it is the current intention of YFHL for the Group to continue with its existing licensed businesses in the manner in which it is presently conducted and to continue the employment of the employees of the Group. Also, YFHL does not intend to redeploy the fixed assets of the Company. As at the Latest Practicable Date, YFHL has not formulated definitive proposals, terms or timetable for any possible future acquisitions and no agreements for any possible future acquisitions have been entered into. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

Reasons for and benefits of the Subscriptions

The Directors consider that the Subscription represents an invaluable opportunity for the Company to implement its vision for the Company to pursue future business opportunities for providing financial services through new media channels, including Internet on the web and mobile Internet, which is in the best interests of the Company and its Shareholders as a whole.

Given the current financial position of the Group, its exposure to the volatility of its financial assets and the outlook of the Group's financial services businesses, the Company considers that (i) the new funding which the Subscription will promise and intended to be applied in the manner as further described in the "Use Of Proceeds" section of this circular; and (ii) the strategic relationship with YFHL and the connections with the high net worth Other Investors post Closing, together will enable the Group to take its existing businesses to a new level, to venture into new business areas and to take advantage of opportunities in internet financial services.

With regard to the Other Investors' Subscriptions, each of the Other Investors (being Harbour Yields, Violet Passion, Gentle Bright and Chosen Global) is owned by an affluent individual professional investor based in the PRC who has made various investments in start-up and/or financial services and/or internet businesses. Although these Other Investors are financial investors as opposed to strategic investors and therefore would not be giving any direct strategic direction to the Company's management, the Directors consider that the Other Investors can contribute meaningfully to the Company's business because (i) the Other Investors' Subscriptions will bring in gross proceeds of approximately HK\$1,199 million, thereby enabling the Group to have additional proceeds to achieve the plans and long-term vision of developing into an innovative internet financial services institution

LETTER FROM THE BOARD

providing comprehensive financial services spanning both domestic and overseas capital markets, as more specifically mentioned under the heading “Future intention of YFHL regarding the Group” and “Use of proceeds”; (ii) the Group’s key business is financial services covering amongst others, brokerage, investment advisory, asset allocation, wealth management and risk management solutions, which are financial services that affluent professional investors will require and it is expected that the Other Investors would consider using the financial services of the Group when appropriate given their investments in the Company and that it would be in their interests that the Company succeeds in its strategy and plans; (iii) it is also expected that the Other Investors would be able to offer valuable business opportunities to the Group due to their network of affluent investors and businessmen, which will enable the Group to expand its services to cross-border customers and drives the Group’s development for the purpose of providing cross-border financial products and services.

The Directors noted the Subscription Price represents a significant discount to the Share price of the Company at the Last Trading Day. However, the Directors consider that it is more appropriate to measure the Subscription Price against the Company’s latest audited net asset value per Share of HK\$2.24 for the year ended 31 December 2014. The Directors believe that the latest audited net asset value per Share of the Company is a more objective metric for determining the Subscription Price having considered the historical price and volatility of the Shares of the Company prior to the trading halt of the Shares on 12 March 2015 against the volatility in the price of the Shares during the period leading up to the Last Trading Day (namely, HK\$4.110 per Share prior to trading halt on 12 March 2015; HK\$7.20 per Share on 25 March 2015, being the first trading day following resumption of trading; and HK\$5.26 to HK\$9.00 from 26 March 2015 to 20 April 2015, being the Last Trading Day). The Subscription Price represents a discount of approximately 10.7% to such audited net asset value per Share of HK\$2.24 for the year ended 31 December 2014. After weighing up the benefits of the Subscription as described above and taking into account the incremental effect of the Subscription on the performance of the Share prices of the Company, the Directors consider the Subscription Price fair and reasonable.

The Directors therefore consider the YFHL Subscription and the Other Investors’ Subscriptions an invaluable opportunity for the Company and is in the best interests of the Company and its Shareholders as a whole.

The Directors (excluding the members of the Independent Board Committee who have expressed their opinion in the section titled “Letter from the Independent Board Committee” in this circular after considering the advice of the Independent Financial Adviser set out in the section titled “Letter from the Independent Financial Advisor” in this circular as to the fairness and reasonableness of the terms of the YFHL Subscription, each of the Other Investors’ Subscriptions and the Whitewash Waiver) consider that the terms of the YFHL Subscription and each of the Other Investors’ Subscriptions are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

The gross proceeds from the Subscriptions would amount to HK\$3,885 million. The net proceeds are intended to be utilized by the Group to support the development of the existing businesses of the Group as well as for expansion into new business platforms and territories.

It is envisaged that around 40% of the net proceeds (approximately HK\$1,554 million) will be used for the future expansion of the existing business of the Group, including primarily retail brokerage and investment banking businesses.

The Hong Kong stock market has witnessed a substantial growth in trading volume in the first half of 2015. According to the Securities and Derivatives Markets Quarter Reports (First and Second Quarters of 2014 and 2015) published by the Stock Exchange, the trading volume of both the main board and the GEM of the Stock Exchange increased by 87.7% from approximately HK\$5,272.0 billion in the first quarter of 2015 to approximately HK\$9,894.1 billion in the second quarter of 2015. The trading volume for the first half of 2015 of approximately HK\$15,166.1 billion represents a year-on-year increase of 99.2%. Such increase in trading volume provides enormous opportunities for the Group to expand its retail brokerage and investment banking business. However, an expansion of such business will require (a) setting up new branches and upgrade of IT infrastructure, as further described below; (b) recruitment of professionals, in particular those with knowledge of cross-border financial products and services, primarily mainland financial services knowledge, as more and more PRC based investors have started to invest in the Hong Kong stock market as a result of the Shanghai-Hong Kong Stock Connect; and (c) enhancement of the capital resources of the Group in order to meet applicable regulatory capital requirements.

The expansion in the retail brokerage and investment banking businesses of the Group will commence as soon as practicable after Closing and as soon as the appropriate business opportunities for investment banking arise. In addition, it is necessary to set up new branches to facilitate customer acquisition and to upgrade the IT infrastructure of the Group to cope with the expansion, such as IT infrastructure needed for supporting customer access via personal computers or mobile applications, and trading and settlement platforms. It is envisaged that the IT infrastructure upgrade will utilize a total of HK\$311 million (representing around 8% of the net proceeds) and in particular, around HK\$120 million in 2016, around HK\$120 million in 2017 and around HK\$71 million in 2018. In addition, two and three new branches will be set up in 2016 and 2017, respectively, utilizing HK\$22 million and HK\$22 million, respectively and whereas the costs incurred for these new branches will be around HK\$11 million for 2018 to 2020. The total costs

LETTER FROM THE BOARD

for the five new branches amounts to around HK\$55 million (representing around 1.4% of the net proceeds) are primarily used as establishment costs for the branches as well as expenditures on marketing and promotion of the branches for the purpose of acquiring new customers of these branches.

It is envisaged that recruitment of professionals for the expansion of the retail brokerage and investment banking businesses will correspond to the pace and scale of expansion and additional employment costs and expenses will be incurred starting in 2016, as to around HK\$40 million in 2016, as to around HK\$40 million in 2017 and as to around HK\$20 million in 2018 to 2020. The total recruitment costs are therefore around HK\$100 million (representing around 2.6% of the net proceeds).

The remaining 28% of the net proceeds, amounting to approximately HK\$1,090 million, will be used for enhancing the capital resources of the Group in order to support the expanded retail brokerage and investment banking businesses immediately after Closing. However, it is difficult to foresee when investment banking business opportunities will arise and the size of such opportunities. The size of the offering that the Group can underwrite will depend on the amount of regulatory capital that the Group has at the time when the underwriting is carried out. In general terms, the capital requirement is a percentage (ranging from just under 15% to around 30% depending on the type of the securities (including geographical location of the listing venue for the securities) that are being underwritten) of the net underwriting commitment. A similar liquid capital requirement exists for retail brokerage business, which requires the Group to adjust available liquid capital resources in accordance with trading volumes. Accordingly, the Group has budgeted a reserve of around HK\$540 million for investment banking underwriting opportunities and HK\$550 million as regulatory capital for the retail brokerage business. This amount is estimated to be able to support a total trading volume of around HK\$9,000 million of retail brokerage business across all securities markets accessed by clients of the Group.

Around 60% of the net proceeds (approximately HK\$2,331 million) will be used for new business development, including the following:

- (a) the establishment of a private wealth management platform which will primarily involve the recruitment of professionals specializing in assets and wealth management, in particular those with knowledge of the needs of PRC customers and a variety of products both domestically and overseas. It is anticipated that around HK\$60 million in 2016, around HK\$80 million in 2017 and around HK\$50 million in 2018 will be spent in the recruitment and employment costs and expenses in this regard;

LETTER FROM THE BOARD

- (b) the development of a financial services ecosystem that is based on the internet, including the big data analysis of the financial sector, online financial media and marketing and online platform for sales of financial products. The target is to build such an ecosystem within three years of Closing. The major expenditure to be incurred by the Group in this regard is in relation to recruitment and employment costs and expenses, as well as the purchase of data for the purpose of analysis. It is anticipated that the Group will spend around HK\$30 million in 2016, around HK\$60 million in 2017 and around HK\$60 million in 2018; and
- (c) around RMB1,600 million (equivalent to approximately HK\$1,991 million) will be used for the expansion into markets outside of Hong Kong including mainland China by either acquiring or investing into existing licensed entities or applying for appropriate licences by the Group itself, in order to provide cross-border financial products and services to better serve the needs of the Group's customers. It is planned that such expansion be accomplished within two years of Closing. The Group has not identified any targets for acquisitions or investments as yet and therefore it will not be possible to foresee with any level of certainty the amount required for an acquisition of a licensed entity. Therefore, in budgeting the use of proceeds, the Group has made its calculations based on the capital required for the establishment of a licensed entity in mainland China with full-service business franchise. According to the relevant requirements under the PRC Securities Law and the Regulations on Supervision and Administration of Securities Companies, the minimum registered capital for the type of licensed entity that the Group plans to establish is RMB550 million. If the Group is unable to identify any suitable target for acquisition in 2016, the Group will apply for the establishment of its own licensed entity in China and such entity will need to meet the minimum registered capital requirement at the time of the application, i.e. in 2016. Given that the Company is a foreign entity, the maximum percentage interest that the Company or the Group can hold in a PRC securities company is 49% (being RMB269.5 million of the minimum registered capital). The Group will also have to incur expenses for the setting up of offices in major cities of the PRC for such securities company. The Group will focus on the development of the IT capability of the PRC securities company. It is envisaged that the IT infrastructure will require around RMB100 million in 2016, around RMB200 million in 2017 and around RMB160 million in 2018. It is envisaged that initially there will be three to five branches in major cities of the PRC in addition to the headquarters and the establishment cost of such branches and headquarters as well as expenditures on preliminary cooperation with other internet platforms for client acquisitions will be RMB50 million in 2016, RMB70 million in 2017 and RMB30 million in 2018. Another RMB60 million, RMB90 million and 90 million will be required for recruiting new employees in

LETTER FROM THE BOARD

2016, 2017, and in 2018 to 2020. In late 2018 to 2019, the Group has budgeted cash requirement of close to RMB481 million for the PRC licensed entity as by that time, the PRC licensed entity would have been established for some time and would consider venturing into securities underwriting and sponsorship and margin financing and securities lending businesses, both of which require financial resources to meet relevant regulatory capital requirements.

The above business developments may involve acquisition of assets or businesses or formation of joint ventures or partnerships, although no targets for acquisitions, joint ventures or partnerships, have been identified to date. As the Closing is conditional, no commitment for any expenditure relating to the acquisition of assets, such as those needed for expansion of existing businesses of the Group and the upgrade of the IT infrastructure has been made. The Company has no plan to conduct further financing activities in the near term.

FUND RAISING EXERCISE FOR THE PAST 12 MONTHS

Save as disclosed above, the Company did not undertake any equity fund raising exercise in the past 12 months immediately prior to the Latest Practicable Date.

APPLICATION FOR WHITEWASH WAIVER

Immediately after Closing, the Concert Group, being YFHL, Jade Passion and their parties acting in concert, will in aggregate be interested in 294.00% of the issued share capital of the Company as at the Latest Practicable Date and approximately 55.97% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing).

Under Rule 26.1 of the Takeovers Code, Jade Passion would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, Jade Passion has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the YFHL Subscription Shares. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval of the Whitewash Waiver and the Subscriptions by the Independent Shareholders at the EGM by way of a poll. Closing of the YFHL Subscription is conditional upon, among other things, the Whitewash Waiver being granted by the Executive and approved by the Independent Shareholders. If the Whitewash Waiver and the Subscriptions are not approved by the

LETTER FROM THE BOARD

Independent Shareholders at the EGM, the Whitewash Waiver will not proceed. The Executive has indicated that it will grant the Whitewash Waiver subject to, amongst other things, the approval of the Independent Shareholders on a vote by way of a poll at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Concert Group in the Company will exceed 50%. Jade Passion may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

RESIGNATION AND APPOINTMENT OF DIRECTORS

Pursuant to the Subscription Agreements, each of the current executive Directors (except for Mr. Ko and Mr. Brett McGonegal), being Mr. Chen Shengjie, Ms. Ko Wing Yan, Samantha and Mr. Tsoi Tong Hoo, Tony, shall resign as a Director with effect from Closing. It is envisaged that six new Directors (including the chairman and one independent non-executive director) nominated by YFHL shall be appointed to the Board with effect from Closing if so elected in accordance with the Company's articles of association.

An announcement will be made upon resignation and appointment of those directors in compliance with the Listing Rules.

EGM

A notice convening the EGM is set out on pages 169 to 171 of this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish.

The voting in relation to the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver at the EGM will be conducted by way of a poll. As regards the Subscription Agreements, the issue of the Subscription Shares and the Whitewash Waiver, Gainhigh Holdings Limited, the Concert Group, the Other Investors and their respective associates and other Shareholders who are interested or involved in the YFHL Subscription and the Other Investors' Subscriptions and the Whitewash Waiver (if any) shall abstain from voting on the relevant ordinary resolution to be proposed at the EGM to approve the

LETTER FROM THE BOARD

Whitewash Waiver. As Mr. Ko is interested and involved in the Subscriptions, Gainhigh Holdings Limited (which is wholly owned by Insula Holdings Limited, a company wholly-owned by Mr. Ko) shall abstain from voting at the EGM in respect of the Mr. Ko Shares to approve the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver. As Mr. Brett McGonegal was involved in the negotiation of the Subscriptions, he shall abstain from voting in relation to the Subscription Agreements, the issue of the Subscription Shares and the Whitewash Waiver. Each of Mr. Ko (through Gainhigh Holdings Limited, which is wholly owned by Insula Holdings Limited, a company wholly-owned by Mr. Ko) and Mr. Brett McGonegal has control over the voting rights in respect of their own beneficial shareholding interests in the Company.

As at the Latest Practicable Date, Mr. Ko (through Gainhigh Holdings Limited, which is wholly owned by Insula Holdings Limited, a company wholly-owned by Mr. Ko) holds 229,180,726 Shares (50.17%) and Mr. Brett McGonegal holds 10,410,914 Shares (2.28%).

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Subscriptions and the Whitewash Waiver. The Independent Board Committee comprises all the non-executive Directors, namely Mr. Dorian M. Barak, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP to advise the Independent Shareholders in respect of the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver all of whom are not directly or indirectly interested or involved in the Subscriptions and the Whitewash Waiver.

As announced by the Company on 25 June 2015, Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscriptions and the Whitewash Waiver. The Independent Board Committee has approved the appointment of Somerley Capital Limited. The Independent Board Committee, having considered the advice of the Independent Financial Adviser, is of the opinion that the terms of the Subscriptions and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole and are fair and reasonable and therefore recommends the Independent Shareholders to vote in favour of the resolutions relating to the foregoing matters at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscriptions and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscriptions and the Whitewash Waiver.

LETTER FROM THE BOARD

The Board (including the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) considers that (i) the allotment and issue of a total of 1,942,520,000 Subscription Shares at an issue price of HK\$2.00 per Subscription Share to the Investors in an aggregate amount of HK\$3,885,040,000 and (ii) the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating to the foregoing matters at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
REORIENT GROUP LIMITED
Ko Chun Shun, Johnson
Chairman



REORIENT GROUP LIMITED

瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

Registered Office:

11/F, Far East Finance
Centre, 16 Harcourt Road, Admiralty,
Hong Kong

**SUBSCRIPTION OF NEW SHARES
AND
APPLICATION FOR WHITEWASH WAIVER**

18 August 2015

We refer to the circular (the “Circular”) of Reorient Group Limited dated 18 August 2015, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, the respective terms of the YFHL Subscription, each of the Other Investors’ Subscriptions and the Whitewash Waiver and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise this Independent Board Committee on the fairness and reasonableness of the respective terms of the YFHL Subscription, each of the Other Investors’ Subscriptions and the Whitewash Waiver and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We wish to draw your attention to the letter from the Board, as set out on pages 9 to 29 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages 32 to 78 of the Circular, both of which provide details of the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver and the transactions contemplated thereunder. Having considered the advice rendered by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving its advice, we are of the opinion that the terms of the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver and transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) which will be proposed at the EGM to approve the respective terms of the YFHL Subscription, each of the Other Investors' Subscriptions and the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of
Reorient Group**

Mr. Liu Zhengui,

**Mr. Chu Chung Yue, Howard and
Dr. Wong Yau Kar, David, BBS, JP**

Independent non-executive Directors

Mr. Dorian M. Barak

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

18 August 2015

To: the Independent Board Committee and
the Independent Shareholders

Dear Sirs,

(1) SUBSCRIPTION OF NEW SHARES AND (2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Subscriptions pursuant to the Subscription Agreements; and (ii) the Whitewash Waiver. Details of the Subscriptions and the Whitewash Waiver are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 18 August 2015 (the “Circular”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As set out in the section headed “Application for Whitewash Waiver” of the “Letter from the Board” contained in the Circular, immediately after Closing, the Concert Group (being YFHL, Jade Passion and their parties acting in concert) will in aggregate be interested in approximately 55.97% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing). Under Rule 26.1 of the Takeovers Code, Jade Passion would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and parties acting in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, Jade Passion has made an application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the YFHL Subscription Shares. The Whitewash Waiver, if granted, will be subject to, among other things, the approval of the Independent Shareholders on a vote by way of a poll at the EGM, at which Gainhigh Holdings Limited, the Concert Group, the Other Investors and their respective associates, and other Shareholders who are interested or involved in the YFHL Subscription and the Other Investors' Subscriptions and the Whitewash Waiver (if any) shall abstain from voting. In addition, as Mr. Ko is interested and involved in the Subscriptions, Gainhigh Holdings Limited shall abstain from voting at the EGM to approve the YFHL Subscription and each of the Other Investors' Subscriptions. Also, as Mr. Brett McGonegal was involved in the negotiation of the Subscriptions, he shall abstain from voting in relation to the Subscription Agreements, the issue of the Subscription Shares and the Whitewash Waiver at the EGM. The granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM are part of the conditions of the Subscriptions which cannot be waived. If the Whitewash Waiver is not granted by the Executive or approved by the Independent Shareholders, the Subscription Agreements will not become unconditional and the Subscriptions will not proceed.

The Independent Board Committee comprising all of the four non-executive Directors, namely Mr Dorian M. Barak, Mr. Liu Zhengui, Mr. Chu Chung Yue, Howard and Dr. Wong Yau Kar, David, BBS, JP, has been established to advise the Independent Shareholders on (1) whether the Whitewash Waiver, and the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned; (2) whether the Subscriptions and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole; and (3) the voting action that should be taken by the Independent Shareholders at the EGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We are not associated or connected with the Company, the Investors or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the Subscription Agreements and the Whitewash Waiver. Apart from normal professional fees payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Investors or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

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In formulating our opinion, we have reviewed, among other things, (i) the Circular; (ii) the annual reports of the Company for the two years ended 31 December 2013 and 2014, and the interim results announcement of the Company dated 5 August 2015; (iii) the announcements published by the Company on the website of the Stock Exchange since 1 January 2015; and (iv) the material change statement set out in Appendix I to the Circular. We have relied on the information and facts supplied by the Company, and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Circular are true, accurate and complete as at the Latest Practicable Date. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Investors or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering (1) whether the Whitewash Waiver, and the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (2) whether the Subscriptions and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

BACKGROUND TO AND REASONS FOR THE SUBSCRIPTIONS

The principal activity of the Group is investment holding with its Subsidiaries principally engaging in securities broking, placing and underwriting, provision of consultancy and advisory services, and investment holding.

As set out in the 2013 and 2014 annual reports of the Company, the three reportable segments of the Group, namely (i) securities brokerage; (ii) securities placing and underwriting; and (iii) consultancy and advisory services, recorded total segment losses of approximately HK\$70.2 million and HK\$63.5 million for the two years ended 31 December 2012 and 2013 respectively, and a segment profit of approximately HK\$15.0 million for

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2014. For the six months ended 30 June 2015, the Group recorded a total segment profit of approximately HK\$46.9 million. However, this segment profit was offset by the net loss on financial assets at fair value through profit or loss of approximately HK\$48.0 million. Coupled with other expenses and costs, the Group recorded a consolidated loss attributable to equity shareholders of the Company for the period of approximately HK\$52.2 million. Details of the total segment profits and losses from each segment for the two years ended 31 December 2012 and 2013, and also for 2014 and for the six months ended 30 June 2015, are set out in the table below:

	For the year ended 31 December			For the six months ended 30 June
	2012	2013	2014	2015
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Securities brokerage	(63,559)	(57,518)	(40,987)	(27,751)
Securities placing and underwriting	(2,856)	2,009	(6,623)	(5,859)
Consultancy and advisory services	(3,828)	(8,018)	62,591	80,540
	<u>(70,243)</u>	<u>(63,527)</u>	<u>14,981</u>	<u>46,930</u>
Total segment (losses)/ profits	<u>(70,243)</u>	<u>(63,527)</u>	<u>14,981</u>	<u>46,930</u>

(Note: Net unrealised and realised gains or losses on financial assets are not included in the total segment results)

The Group recorded consolidated losses attributable to equity shareholders of the Company for the two years ended 31 December 2012 and 2013 of approximately HK\$96.1 million and HK\$87.4 million respectively, and a consolidated profit attributable to equity shareholders of the Company of approximately HK\$758.9 million for the year ended 31 December 2014. In respect of the 2014 profit, approximately HK\$901.3 million was derived from unrealised gains on investment in KuangChi Science Limited (“KuangChi”) (formerly known as “Climax International Company Limited”) (stock code: 439). In short, the Group would have recorded a 2014 consolidated loss attributable to equity shareholders of the Company of approximately HK\$161.6 million excluding the net unrealised gains on financial assets of approximately HK\$920.5 million.

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Such net unrealised gains on financial assets tend to be the result of “one-off” situations and consequently it is difficult to predict whether similar situations can be generated on a regular basis or not. In addition, mid-cap companies such as KuangChi tend to have volatile share prices and trading levels and may be difficult to value and to realise. The holding in KuangChi has not been realised yet and had a market value of approximately HK\$324.8 million at the Latest Practicable Date, approximately HK\$586.4 million lower than the market value at 31 December 2014 after taking account the additional payment of the subscription money in respect of the shares of KuangChi subsequent to the year end of 31 December 2014. In other words, most of the unrealised gain on KuangChi at 31 December 2014 had evaporated by the Latest Practicable Date. Similarly, for the six months ended 30 June 2015, a segment profit was turned into loss attributable to equity shareholders of the Company by significant losses on financial assets at fair value through profit or loss.

In view of this volatility, the executive Directors consider that it would be in the interests of the Group to establish a strategic cooperation with a substantial and reputable partner who could assist the Group in establishing a more stable and reliable recurrent business platform. In particular, the executive Directors consider that the continued economic development of the PRC would whet the appetite of PRC firms for international business expansion as well as increasing global interest in PRC assets. Continued PRC economic development will also promote demand for private wealth management services. It is stated in 2015 PRC government work report that the PRC government will develop the “Internet Plus” action plan to integrate the mobile internet, cloud computing, big data, and the “internet of things” with modern manufacturing, so as to encourage the healthy development of e-commerce, industrial networks, and internet banking. With the launch of the “Internet Plus” action plan and the PRC governmental support, the executive Directors are of the view that the potential for internet financial service business in the PRC is substantial. The executive Directors wish to take advantage of these opportunities.

YFHL is owned as to 60% by Mr. Yu Feng and 40% by Mr. Ma Yun, two of the founders of Yunfeng Capital. Mr. Yu Feng is also the founder of Yunfeng Fund which has launched in 2010. According to its official website, Yunfeng Capital is the only private equity firm in the PRC set up by successful entrepreneurs, pioneers and industry leaders. The goal of Yunfeng Capital is not only to be a financial investor, but also to share its entrepreneurial experience with companies, helping them refine their development, organizational management and brand building strategies. Yunfeng Capital is interested in (a) technology, media and telecommunications sector, (b) consumer sector, (c) healthcare sector, and (d) financial services sector investments. Mr. Yu Feng is the chairman of Yunfeng Capital.

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The background of Mr. Yu Feng and the stated objectives of Yunfeng Capital make YFHL a highly suitable strategic partner of the Group. The executive Directors consider that the introduction of YFHL as a strategic partner will benefit the Group's long term development and bring additional investment opportunities to the Company, such as referral of potential corporate finance transactions and customers by YFHL. The executive Directors also consider that both of Mr. Yu Feng and YFHL can assist the Group to grasp opportunities to expand the Group's business into private wealth management and internet financial services, regarded by the executive Directors to be beneficial to the Company and the Shareholders as a whole. The Subscriptions will also strengthen the Group's financial position and broaden the Company's equity base. Accordingly, the executive Directors consider that it is in the interests of the Company and the Shareholders as a whole to proceed with the Subscriptions by entering into the Subscription Agreements.

We agree with the executive Directors' view that the strength of the Group can be increased and complemented by introducing the expertise of Mr. Yu Feng and YFHL which is being achieved through an equity injection at a price we consider fair and reasonable (as discussed in the section below headed "Discussion on the Subscription Price").

The summary of the consolidated statements of cash flows of the Group for the two years ended 31 December 2013 and 2014 is as below:

	For the year ended	
	31 December	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(80,418)	(84,112)
Net cash generated from/(used in) investing activities	4,361	(35,593)
Financing activities		
Net proceeds from issuance of shares	39,901	81,958
Interest paid	(154)	(754)
Net cash generated from financing activities	<u>39,747</u>	<u>81,204</u>
Net decrease in cash and cash equivalents	<u><u>(36,310)</u></u>	<u><u>(38,501)</u></u>

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As shown in the table above, the Group could not generate sufficient cash inflow from operating activities (net cash used in operating activities: approximately HK\$84.1 million in 2013 and HK\$80.4 million in 2014) to support its business for the past two years. As advised by the executive Directors, net cash outflow from operating activities was recorded in 2014 despite the consolidated profit attributable to equity shareholders of the Company of approximately HK\$758.9 million for the year after adjustment for, among other things, (a) increase in financial assets at fair value through profit or loss of approximately HK\$926.5 million; (b) increase in accounts receivable of approximately HK\$152.9 million; (c) increase in accounts payable of approximately HK\$108.7 million; and (d) increase in accrued expenses and other payables of approximately HK\$121.5 million. Further details of the adjustments are set out in the 2014 annual report of the Company. The Group had to partially meet its funding need by issue of new shares in 2013 and 2014 (net proceeds from issue of shares: approximately HK\$82.0 million in 2013 and HK\$39.9 million in 2014). There was also a net decrease in cash and cash equivalents for each year of 2013 and 2014. We understand from the executive Directors that one of the reasons for the Company to proceed with the Subscriptions is to raise funds for the Group's business development. On this basis, we consider that the Subscriptions are consistent with the Company's past fund raising practice.

As advised by the executive Directors, there are limitations on the Company's ability to realise its financial assets holdings on account of trading restrictions (due to ongoing advisory engagements), and the Group's ability to increase trading volumes in its securities brokerage business and underwriting business requires the Group to provide and commit additional regulatory capital. Therefore, the Subscriptions can allow the Group to further expand its business. We further understand from the executive Directors that the Subscriptions are expected to meet the Group's imminent need not only in terms of capacity increase within its current framework, but also in terms of the need to broaden revenue opportunities by expanding service and product offerings in response to the changes to the traditional securities brokerage industry. On the basis that:

- (1) the Group could not generate sufficient cash inflow internally to support its operating activities for the two years ended 31 December 2013 and 2014 as discussed above;
- (2) external fund raising exercises were carried out in 2013 and 2014 to meet partially the funding need of the Group;
- (3) the Subscriptions are consistent with the Company's past fund raising practice;
- (4) the gross proceeds from the Subscriptions of approximately HK\$3.9 billion can strengthen the working capital of the Group for expansion of the business; and

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- (5) the Subscriptions can “lock-in” the substantial amount of gross proceeds of approximately HK\$3.9 billion with the Subscription Price at HK\$2.00 per Subscription Share, representing a discount of approximately 51.34% to the closing Share price of HK\$4.11 per Share on the Undisturbed Trading Day (as discussed and defined in this letter below); and a discount of approximately 77.78% to the closing Share price of HK\$9.00 per Share on the Last Trading Day. If the Company chooses to reduce the size of the Subscriptions (i.e. a lower amount of proceeds) and would need to issue further shares later, the Company would be exposed to a risk of being unable to conduct this fund raising exercise because of the volatile stock market and the changing stock market sentiment over time. If this happens, the Company would miss an opportunity to raise the gross proceeds of approximately HK\$3.9 billion to develop the Group’s business which, in our view, is in the interests of the Company,

we consider that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

THE SUBSCRIPTIONS AND THE WHITEWASH WAIVER

1. Principal terms of the Subscription Agreements

Set out below is a summary of principal terms of the Subscription Agreements. Further details of the terms of the Subscription Agreements are set out in the “Letter from the Board” contained in the Circular.

(a) The Subscription Agreements (and amended by the supplemental Subscription Agreements dated 17 August 2015)

Date:	7 May 2015
Issuer:	The Company
Investors:	(i) YFHL (ii) Harbour Yields (iii) Violet Passion (iv) Gentle Bright (v) Chosen Global

Each of the Investors above have entered into a separate share subscription agreement with the Company. Pursuant to the five Subscription Agreements, each of the Investors has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,942,520,000 Subscription Shares at an issue price of HK\$2.00 per Subscription Share to the Investors. Details of the Subscription Shares to be subscribed for by each of the Investors are set out in the table in the section headed “The Subscriptions”

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in the “Letter from the Board” contained in the Circular. Pursuant to the YFHL Subscription Agreement (which is one of the five Subscription Agreements and entered into between YFHL and the Company), the YFHL Subscription Shares shall be issued to YFHL’s indirectly controlled subsidiary, Jade Passion, at Closing. On 17 August 2015, each of the Investors has entered into a supplemental agreement to the Subscription Agreements with the Company to vary certain terms of the Subscriptions relating to the conditions precedent of the Subscriptions, details of which are set out in the sub-section headed “Conditions of the Subscriptions” in the section headed “The Subscriptions” in the “Letter from the Board” contained in the Circular.

(b) *The Subscription Price*

The Subscription Price is HK\$2.00 per Subscription Share. As stated in the sub-section headed “The Subscription Price” in the section headed “The Subscriptions” in the “Letter from the Board” contained in the Circular, the Subscription Price was arrived at after arm’s length negotiations between the Company and the Investors after taking into account the then prevailing market price of the Shares, the trading volume of the Shares, the portfolio of the financial assets held by the Company and their market value and the trading position, the prospects of the Group’s existing business and future business opportunities, relationships and capabilities potentially made available through the relationships between the Company and the Investors.

(c) *The size of the Subscriptions, rights of the Subscription Shares and the specific mandate*

As at the Latest Practicable Date, there were 456,816,394 Shares in issue and the 1,942,520,000 Subscription Shares represented approximately 425.2% of the existing issued share capital of the Company as at the Latest Practicable Date. Assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares for the period from the Latest Practicable Date to Closing, the 1,942,520,000 Subscription Shares will represent approximately 81.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Subscription Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Subscription Shares.

The Subscription Shares will be allotted and issued pursuant to the specific mandate to be sought from the Independent Shareholders at the EGM.

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(d) Conditions of the Subscriptions

Closing of the Subscriptions is conditional upon fulfilment or waiver (as the case may be) of certain conditions (i.e. the Closing Conditions). A number of the Closing Conditions, including (1) the obtaining of the approval of the Shareholders or Independent Shareholders (as appropriate) at the EGM in respect of, among other things (i) the Whitewash Waiver; (ii) the specific mandates for the allotment and issue of the Subscription Shares; and (iii) the appointment of the Investors' nominees as Directors effective upon Closing by the Board or by the passing of ordinary resolutions by the Shareholders; (2) the granting of the Whitewash Waiver by the Executive; and (3) the making of an application to FINRA in relation to the indirect change in the ownership of the US Licensed Corporation as a result of the Subscriptions, cannot be waived in any event. The EGM will be convened to approve, among other things, the Subscriptions and the Whitewash Waiver, and the voting in relation to which at the EGM will be conducted by way of a poll. Furthermore, the Other Investors' Subscriptions are subject to the concurrent Closing of the YFHL Subscription. Further details of the Closing Conditions are set out in the subsection headed "Conditions of the Subscriptions" in the section headed "The Subscriptions" in the "Letter from the Board" contained in the Circular.

Closing will take place on the seventh Business Day following the Unconditional Date (the date on which all the Closing Conditions have been satisfied (or waived in accordance with the Subscription Agreements)), or on such other date as the parties to each Subscription Agreement may agree. If the Closing Conditions have not been satisfied or waived on or before the Longstop Date (i.e. 31 October 2015), the Investors may either (i) terminate the Subscription Agreements with immediate effect, by written notice to the other parties five Business Days after the Long Stop Date; or (ii) at any time up to five Business Days prior to the Longstop Date, the parties can mutually agree to extend the Longstop Date to such later date as the parties may determine (such date being not more than 90 days after the Longstop Date). The Subscription Agreements (other than certain provisions designated as surviving provisions) shall automatically terminate if the Closing Conditions have not been satisfied or waived by the aforesaid extended long stop date. In the event of termination of the Subscription Agreements, the parties shall be released and discharged from their respective obligations under the Subscription Agreements (without prejudice to the rights and/or obligations of any party in respect of any antecedent breach). As at the Latest Practicable Date, (a) the

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Investors have confirmed that they would waive one of the Closing Conditions in relation to the fair value downward change of the Group's financial asset holdings as set out in the profit warning announcement of the Company dated 8 July 2015; and (b) certain of the Closing Conditions have been satisfied, further details of which are set out in the sub-section headed "Conditions of the Subscriptions" in the section headed "The Subscriptions" in the "Letter from the Board" contained in the Circular.

(e) Lock-up arrangement

The YFHL Subscription Shares and Mr. Ko Shares are subject to certain lock-up arrangements for a lock-up period ending on 18 months from the Closing Date. Further details are set out in the sub-sections headed "YFHL's lock-up undertakings" and "Mr. Ko's Deed of Undertaking" respectively in the section headed "The Subscriptions" in the "Letter from the Board" contained in the Circular.

2. Future intention of YFHL regarding the Group

As set out in the section headed "Future intention of YFHL regarding the Group" in the "Letter from the Board" contained in the Circular, following the Closing, YFHL intends to undertake a detailed strategic review on the Group for the purpose of formulating business plans and strategies for the future business development of the Group and determining what changes, if any, would be appropriate or desirable in order to optimise and rationalise the business activities and assets portfolio (in particular, the financial assets) of the Group. It is the intention of YFHL for the Group to solidify its existing business and continue to strengthen its expertise in the areas of proprietary trading, brokerage, investment and corporate advisory, asset allocation, wealth management and risk management solutions. Further, the Group will be able to leverage on YFHL's access to capabilities in internet technology and big data as well as cross-border resources. The long-term vision of YFHL is to develop the Group into an innovative internet financial services institution providing comprehensive financial services spanning both domestic and overseas capital markets. Depending on the results of the strategic review and if and when appropriate opportunities arise, it is possible that the Group may develop new businesses or new platforms such as internet financial services business and private wealth management and may establish a presence outside of Hong Kong through acquisitions or otherwise. As a result, it is possible that adjustments may need to be made to the staffing requirements to suit any new businesses or new platforms to be developed by the Group.

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Save as set out in the section headed “Future intentions of YFHL regarding the Group” in the “Letter from the Board” contained in the Circular, it is the current intention of YFHL for the Group to continue with its existing licensed businesses in the manner in which they are presently conducted and to continue the employment of the employees of the Group. Also, YFHL does not intend to redeploy the fixed assets of the Company. As at the Latest Practicable Date, YFHL has not formulated definitive proposals, terms or timetable for any possible future acquisition, or entered into any agreements for any possible future acquisitions.

Pursuant to the Subscription Agreements, each of the current executive Directors as of the date of the Subscription Agreements (except for Mr. Ko and Mr. Brett McGonegal) shall resign as a Director with effect from Closing. As set out in the section headed “Resignation and appointment of Directors” in the “Letter from the Board” contained in the Circular, it is envisaged that six new Directors (including the chairman and one independent non-executive director) nominated by YFHL shall be appointed to the Board with effect from Closing if so elected in accordance with the Company’s articles of association. The Company will publish an announcement regarding the resignation and appointment of Directors in due course.

3. Financial information and prospects of the Group

(a) Financial performance

The following is a summary of (a) the audited consolidated results of the Group for the three years ended 31 December 2012 (as extracted from the Company’s 2013 annual report), 2013 and 2014 (both the 2013 and 2014 results having been extracted from the Company’s 2014 annual report); and (b) the unaudited consolidated results of the Group for the six months ended 30 June 2014 and 2015 (as extracted from the Company’s 2015 interim results announcement). Further details of the results and other financial information of the Group are set out in Appendix I to the Circular.

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	For the year ended 31 December			For the six months ended 30 June	
	2014	2013	2012	2015	2014
	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue	133,370	77,516	46,796	121,569	35,206
Other operating income	2,585	1,451	1,186	1,159	464
Other net income/(loss)	920,486	8,000	—	(47,970)	(13,902)
Other net gain	—	—	1,117	—	—
	<u>1,056,441</u>	<u>86,967</u>	<u>49,099</u>	<u>74,758</u>	<u>21,768</u>
Staff costs	(237,490)	(124,088)	(101,780)	(52,109)	(39,277)
Depreciation	(3,583)	(3,385)	(2,424)	(1,557)	(1,683)
Other operating expenses	<u>(55,908)</u>	<u>(46,271)</u>	<u>(40,887)</u>	<u>(49,838)</u>	<u>(23,189)</u>
Profit/(loss) from operations	759,460	(86,777)	(95,992)	(28,746)	(42,381)
Finance costs	(154)	(754)	(315)	(55)	(36)
Share of results of associates	(1,193)	171	—	(1,683)	(827)
Gain on partial disposal of an associate	1,214	—	—	—	—
Provision for impairment loss of interest in an associate	—	—	—	(714)	—
Profit/(loss) before taxation	759,327	(87,360)	(96,307)	(31,198)	(43,244)
Income tax	<u>(450)</u>	<u>—</u>	<u>—</u>	<u>(24,304)</u>	<u>—</u>
Profit/(loss) for the year/period	<u><u>758,877</u></u>	<u><u>(87,360)</u></u>	<u><u>(96,307)</u></u>	<u><u>(55,502)</u></u>	<u><u>(43,244)</u></u>
Profit/(loss) attributable to equity shareholders of the Company	758,856	(87,385)	(96,068)	(52,180)	(43,048)
Profit/(loss) attributable to non-controlling interests	<u>21</u>	<u>25</u>	<u>(239)</u>	<u>(3,322)</u>	<u>(196)</u>

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	For the year ended 31 December			For the six months ended 30 June	
	2014	2013	2012	2015	2014
	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Earnings/(loss) per share attributable to equity shareholders of the Company					
Basic (<i>HK\$</i>)	<u>1.73</u>	<u>(0.22)</u>	<u>(0.25)</u>	<u>(0.11)</u>	<u>(0.10)</u>
Diluted (<i>HK\$</i>)	<u>1.73</u>	<u>(0.22)</u>	<u>(0.25)</u>	<u>(0.11)</u>	<u>(0.10)</u>

The revenue of the Group was generated from three reportable segments, namely (a) securities brokerage; (b) securities placing and underwriting; and (c) consultancy and advisory services, with details as set out below.

	For the year ended 31 December			For the six months ended 30 June	
	2014	2013	2012	2015	2014
	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Securities brokerage	24,580	43,474	34,312	9,129	7,544
Securities placing and underwriting	3,080	14,596	—	—	1,985
Consultancy and advisory services	<u>105,710</u>	<u>19,446</u>	<u>12,484</u>	<u>112,440</u>	<u>25,677</u>
Total segment revenue	<u>133,370</u>	<u>77,516</u>	<u>46,796</u>	<u>121,569</u>	<u>35,206</u>

Income generated from (a) securities brokerage accounted for approximately 73.3%, 56.1% and 18.4% of the Group's revenue for the years ended 31 December 2012, 2013 and 2014 respectively; (b) securities placing and underwriting accounted for 0%, approximately 18.8% and 2.3% of the Group's revenue for the years ended 31 December 2012, 2013 and 2014 respectively; and (c) consultancy and advisory services accounted for approximately 26.7%, 25.1% and 79.3% of the Group's revenue for the years ended 31 December 2012, 2013 and 2014 respectively. The total revenue increased from approximately HK\$46.8 million in 2012 to approximately HK\$77.5 million

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in 2013, and further increased to approximately HK\$133.4 million in 2014. The increases in revenue for the years ended 31 December 2013 and 2014 were mainly due to the increase in commission generated from securities placing and underwriting, and the surge in income generated from consultancy and advisory services respectively. The surge in income generated from consultancy and advisory services in 2014 was mainly due to the Group acting as the financial adviser for a number of merger and acquisition transactions during the year. These included acting as the sole advisor to the House of Fraser, a British department store chain, in its acquisition by Sanpower Group (Nanjing Cenbest) and advisors to a number of Hong Kong listed companies. For the six months ended 30 June 2015, no revenue was generated from the segment of securities placing and underwriting, while most of the Group's revenue was generated from consultancy and advisory services (approximately 92.5%). The significant revenue generated from consultancy and advisory services was mainly due to the Group acting as the financial adviser for a number of merger and acquisition transactions during the period.

Other net income, representing the net unrealised gains on financial assets, increased from approximately HK\$8.0 million for the year ended 31 December 2013 to approximately HK\$920.5 million for the year ended 31 December 2014. As discussed under the section headed "Background to and reasons for the Subscriptions" of this letter above, other net income for the year ended 31 December 2014 was mainly contributed by the unrealised gains on investment in KuangChi of approximately HK\$901.3 million. For the six months ended 30 June 2015, the Group recorded other net loss of approximately HK\$48.0 million, representing the net fair value loss on its financial assets investment. The Group recorded consolidated losses attributable to equity shareholders of the Company for both 2012 and 2013, but a consolidated profit attributable to equity shareholders of the Company of approximately HK\$758.9 million for the year ended 31 December 2014. The significant consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2014 was mainly attributable to the aforesaid unrealised gains on financial assets of approximately HK\$920.5 million. If such unrealised gains are excluded, the Group would have suffered consolidated loss attributable to equity shareholders of the Company for the year ended 31 December 2014 of approximately HK\$161.6 million. For the six months ended 30 June 2015, the Group recorded a consolidated loss attributable to equity shareholders of the Company of approximately HK\$52.2 million.

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(b) Financial position

Set out below are (a) the audited consolidated statements of financial position of the Group as at 31 December 2012 (as extracted from the Company's 2013 annual report), 2013 and 2014 (both the 2013 and 2014 financial position having been extracted from the Company's 2014 annual report); and (b) the unaudited consolidated statement of financial position of the Group as at 30 June 2015 (as extracted from the Company's 2015 interim results announcement). Further details of the financial position of the Group as at those dates and other financial information are set out in Appendix I to the Circular.

	As at 31 December			As at 30 June
	2014	2013	2012	2015
	(Audited)	(Audited)	(Audited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Fixed assets	5,289	6,247	6,897	3,756
Intangible assets	550	550	—	550
Interests in associates	27,311	33,076	—	23,083
Financial assets at fair value through profit or loss	556,427	—	—	324,364
Other non-current assets	8,856	805	735	17,861
Total non-current assets	<u>598,433</u>	<u>40,678</u>	<u>7,632</u>	<u>369,614</u>
Current assets				
Financial assets at fair value through profit or loss	426,387	13,629	—	499,107
Accounts receivable	220,576	69,727	198,514	80,568
Other receivables, deposits and prepayments	16,828	12,451	14,657	3,522
Bank balance – trust and segregated accounts	23,999	22,753	41,713	180,361
Cash and cash equivalents	74,620	111,086	149,271	230,776
Total current assets	<u>762,410</u>	<u>229,646</u>	<u>404,155</u>	<u>994,334</u>

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	As at 31 December			As at 30 June
	2014	2013	2012	2015
	(Audited)	(Audited)	(Audited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities				
Accounts payable	191,690	82,955	235,671	227,270
Accrued expenses and other payables	147,271	25,820	9,457	133,462
Amounts due to directors	531	480	504	616
Current taxation	450	—	—	13,421
	<u>339,942</u>	<u>109,255</u>	<u>245,632</u>	<u>374,769</u>
Total current liabilities				
Net current assets	<u>422,468</u>	<u>120,391</u>	<u>158,523</u>	<u>619,565</u>
Non-current liabilities				
Deferred tax liabilities	—	—	—	11,333
	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,333</u>
NET ASSETS	<u><u>1,020,901</u></u>	<u><u>161,069</u></u>	<u><u>166,155</u></u>	<u><u>977,846</u></u>
EQUITY (Note)				
Share capital and other statutory capital reserves (as at 31 December 2014 and 2013, and 30 June 2015)/ Share capital (as at 31 December 2012)	614,919	498,231	3,845	620,866
Other reserves (as at 31 December 2014 and 2013, and 30 June 2015)/ Reserves (as at 31 December 2012)	400,015	(343,184)	156,463	354,381
	<u>1,014,934</u>	<u>155,047</u>	<u>160,308</u>	<u>975,247</u>
Non-controlling interests	5,967	6,022	5,847	2,599
	<u>5,967</u>	<u>6,022</u>	<u>5,847</u>	<u>2,599</u>
TOTAL EQUITY	<u><u>1,020,901</u></u>	<u><u>161,069</u></u>	<u><u>166,155</u></u>	<u><u>977,846</u></u>

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Note:

As set out in the Company's 2014 annual report, the amounts standing to the credit of the share premium account and the capital redemption reserve on 3 March 2014 had 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 did not have an impact on the number of shares in issue or the relative entitlement of any of the members. Further details are set out in the Company's 2014 annual report.

As at 31 December 2014, the Group had consolidated total assets of approximately HK\$1,360.8 million, whilst consolidated net assets attributable to equity shareholders of the Company amounted to approximately HK\$1,014.9 million. The Group's financial assets at fair value through profit or loss aggregated to approximately HK\$982.8 million as at 31 December 2014, representing approximately 72.2% and 96.8% of the total assets and consolidated net assets attributable to equity shareholders of the Company respectively. As advised by the executive Directors, among the Group's financial assets at fair value through profit or loss as at 31 December 2014, approximately HK\$907.1 million was attributable to the preferred and ordinary shares of KuangChi held by the Group, which accounted for approximately 66.7% and 89.4% of the Group's total assets and consolidated net assets attributable to equity shareholders of the Company as at 31 December 2014. As at 30 June 2015, the consolidated total assets and consolidated net assets attributable to equity shareholders of the Company amounted to approximately HK\$1,363.9 million and HK\$975.2 million respectively. Financial assets at fair value through profit or loss aggregated to approximately HK\$823.5 million as at 30 June 2015, representing a decrease of approximately HK\$159.3 million from 31 December 2014. As advised by the executive Directors, approximately HK\$528.4 million was attributable to the Group's investment in KuangChi, which accounted for approximately 38.7% and 54.2% of the Group's respective total assets and consolidated net assets attributable to equity shareholders of the Company as at 30 June 2015. The Group also had accounts receivable, arising from securities brokerage and consultancy and advisory services, of approximately HK\$80.6 million as at 30 June 2015. Bank balance for trust and segregated accounts amounted to approximately HK\$180.4 million, which represented amounts received from clients and other institutions in respect of the trust and segregated bank balances and were held for clients and other institutions in the course of the conduct of regulated activities. As at 30 June 2015, the Group had cash and cash equivalents of approximately HK\$230.8 million, representing an increase of approximately HK\$156.2 million from the amount of approximately HK\$74.6 million as at 31 December 2014, which was mainly due to the cash received from realisation of certain financial assets during the period.

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Liabilities of the Group were mainly comprised of accounts payable and accrued expenses and other payables. As at 30 June 2015, the Group's total liabilities amounted to approximately HK\$386.1 million. The Group had accounts payable of approximately HK\$227.3 million, which mainly represented the amounts payable to clients and other institutions in respect of the trust and segregated bank balances received as discussed above. Accrued expenses and other payables, which mainly represented accrued staff costs, amounted to approximately HK\$133.5 million and accounted for approximately 34.6% of the Group's total liabilities as at 30 June 2015.

(c) Prospects of the Group

The executive Directors consider that the world has witnessed a high level of market volatility in mid-year 2015. However, as the investors look for a new entry point, the market will create new opportunities. The executive Directors are of the view that Hong Kong will play a bigger role in welcoming listings as the PRC has once again frozen new listings. Also, the Shanghai-Hong Kong Stock Connect is in place and the Shenzhen-Hong Kong Stock Connect is expected by the executive Directors to be launched on a trial basis at an appropriate time in the future. With the continued PRC economic development, the executive Directors also consider that the demand for private wealth management services will be promoted. In addition, with the launch of the "Internet Plus" action plan and the PRC governmental support, the executive Directors are of the view that there is great potential for internet financial service business in the PRC. The executive Directors remain positive for the operating environment for the principal businesses of the Group. The Group is continuing to position itself to take advantage of the above trends and developments, and to grow its corporate finance business and look to expand into other financial service offerings. The Group will also extend its reach geographically and financially. However, in the absence of the Subscription Agreements, the Group may continue to rely on substantial "special-situations" transactions similar to the KuangChi transaction to achieve profitability.

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(d) Developments of the Group after 31 December 2014 — Subsequent financial asset investments and changes in fair value of the Group's financial asset investments

(i) KuangChi investment and other financial asset investments held on 31 December 2014 not yet been realised as at the Latest Practicable Date

As at 31 December 2014, the Group held approximately 66.7 million ordinary shares and approximately 107.3 million preferred shares of KuangChi. As at the Latest Practicable Date, approximately 53.7 million preferred shares of KuangChi had been fully paid and converted into ordinary shares of KuangChi. The Group was interested in approximately 120.3 million ordinary shares and approximately 53.7 million preferred shares of KuangChi as at the Latest Practicable Date. According to the accounting policies of the Company, the Group's interests in the ordinary shares and preferred shares of KuangChi are classified as financial assets at fair value through profit or loss in the consolidated statement of financial position of the Group. The Group's investment in KuangChi is carried at fair value which is determined based on the quoted market prices at the end of reporting period. If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions. The inputs of the valuation techniques are based on market data. Changes in the fair value are included in the income statement in the period in which they arise. The aforesaid accounting policies also apply to other financial asset investments of the Group.

The closing share price of the shares of KuangChi as at the Latest Practicable Date was HK\$1.89 per share, representing a decrease of approximately 64.1% compared to the closing share price of HK\$5.26 per share as at 31 December 2014. The Group's holding in KuangChi had a market value of approximately HK\$324.8 million at the Latest Practicable Date, approximately HK\$586.4 million lower than the market value at 31 December 2014 after taking account the additional payment of the subscription money in respect of the shares of KuangChi subsequent to the year end of 31 December 2014.

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(ii) *China Star Cultural Media Group Limited (“China Star Cultural”)*

The Group completed the subscription of approximately 55.2 million ordinary shares and approximately 55.2 million preferred shares of China Star Cultural and fully settled the subscription money in June 2015 pursuant to a subscription agreement as detailed in the announcement of China Star Cultural dated 18 December 2014. The subscription price payable by the Group for both of the ordinary shares and the preferred shares of China Star Cultural was HK\$0.20 per share, resulting in a total investment by the Group of approximately HK\$22.1 million. The Group has disposed of its entire interest in the shares of China Star Cultural during the six months ended 30 June 2015. Pursuant to the accounting policies of the Company, the difference between the subscription price and the selling price has been recorded in the consolidated income statement of the Group for the six months ended 30 June 2015.

(iii) *Martin Aircraft Company Limited (“Martin Aircraft”)*

The Group provided financial advisory service to KuangChi in respect of its possible investment in Martin Aircraft (stock symbol: MJP), a company listed on the Australian Securities Exchange. The financial advisory service fee was settled by issue of approximately 11.7 million ordinary shares of Martin Aircraft at an issue price of AUD0.4 per share issued to the Group on 24 February 2015. Further details are set out in the announcement of the Company dated 24 February 2015.

As at the Latest Practicable Date, the Group has not yet disposed of its Martin Aircraft investment. The closing share price of the shares of Martin Aircraft was AUD0.645 per share as at the Latest Practicable Date, representing an increase of approximately 61.3% comparing to the issue price of AUD0.4 per share. Pursuant to the Company’s accounting policies as explained above, the fair value change of Martin Aircraft investment will be recorded in the consolidated income statement of the Group for the period in which it has arisen. Market value of the Group’s Martin Aircraft investment was approximately HK\$42.7 million as at the Latest Practicable Date, which was approximately HK\$14.2 million higher than the acquisition costs.

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(iv) *EDS Wellness Holdings Limited (“EDS Wellness”)*

On 17 February 2015, First Bonus International Limited (“First Bonus”), a wholly-owned subsidiary of the Company, entered into a conditional subscription agreement with EDS Wellness. Pursuant to the subscription agreement, First Bonus has agreed to subscribe for 13,494,090 new ordinary shares of EDS Wellness for a cash consideration of approximately HK\$5.4 million. As at the Latest Practicable Date, the subscription has not yet been completed and no shares have been allotted and issued by EDS Wellness to First Bonus. The closing share price of shares of EDS Wellness was HK\$8.7 per share as at the Latest Practicable Date.

(v) *21 Holdings Limited (“21 Holdings”)*

A subscription agreement was entered into between 21 Holdings and nine subscribers including, among others, Reorient Global Limited, a wholly-owned subsidiary of the Company, on 14 April 2015. Pursuant to the subscription agreement, Reorient Global Limited will subscribe for 39,256,662 shares of 21 Holdings at a subscription price of HK\$0.4 per share. In addition, Reorient Financial Markets Limited, a wholly-owned subsidiary of the Company, acted as financial adviser to 21 Holdings in respect of the aforesaid subscription. 21 Holdings has agreed to allot and issue 30,000,000 shares at HK\$0.4 each credited as fully paid to Reorient Financial Markets Limited to settle its advisory fees in relation to the subscription. The circular of 21 Holdings in relation to the subscription has been despatched to its shareholders on 5 August 2015 and the special general meeting in relation to the subscription will be held on 28 August 2015. As at the Latest Practicable Date, the subscription has not yet been completed and no shares have been allotted and issued by 21 Holdings to Reorient Global Limited. The closing share price of shares of 21 Holdings was HK\$3.13 per share as at the Latest Practicable Date.

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4. Analysis of the historical price performance of the Shares

(a) Comparison of the Subscription Price to market price

Trading in the Shares was halted with effect from 1:08 pm on 12 March 2015 (the “Undisturbed Trading Day”) with a closing Share price of HK\$4.11 per Share prior to the trading halt. The Company published an announcement (the “First Inside Information Announcement”) in relation to possible subscription by the potential investor, CMI Capital Company Limited (a wholly-owned subsidiary of China Minsheng Investment Corp., Ltd.) of new securities in the Company after trading hours on 24 March 2015. Trading in the Shares resumed on 25 March 2015 (the “First Resumption Day”) and the Shares closed at HK\$7.20 per Share on the First Resumption Day, representing an increase of approximately 75.2% as compared to the closing Share price of HK\$4.11 per Share on the Undisturbed Trading Day. In addition, we note that the trading volume of the Shares (as quoted on the Stock Exchange) on the First Resumption Day was approximately 22.6 million, which was much higher than the trading volume of the Shares of approximately 0.5 million on the Undisturbed Trading Day.

For the period from 26 March 2015 (i.e. the day immediately following the First Resumption Day) to 20 April 2015 (i.e. the Last Trading Day), the Shares closed in the range of HK\$5.26 to HK\$9.00 with an average daily trading volume of approximately 3.8 million during this period. The closing Share price was HK\$9.00 per Share on the Last Trading Day and trading in the Shares was halted with effect from 9:00 am on 21 April 2015. On 8 May 2015 (when trading in the Shares was still under suspension), the Company published an announcement (the “Second Inside Information Announcement”) setting out that, among other things, (i) the Company would not pursue the possible transaction as set out in the First Inside Information Announcement; but (ii) the Company had entered into the Subscription Agreements with the Investors.

As described above, there were significant increases (as compared to the Undisturbed Trading Day) in the closing Share price and trading volume after the issue of the First Inside Information Announcement. The Shares closed at HK\$9.00 per Share on the Last Trading Day, representing an increase of approximately 119.0% as compared to the Share price of HK\$4.11 per Share on the Undisturbed Trading Day. Given this, we have compared the Subscription Price with the closing price of the Shares on and before the Undisturbed Trading Day as well as with the closing price on and before the Last Trading Day.

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The Subscription Price represents:

- (i) a discount of approximately 51.34% to the closing price of HK\$4.11 per Share as quoted on the Stock Exchange on the Undisturbed Trading Day;
- (ii) a discount of approximately 47.70% to the average closing price of HK\$3.824 per Share for the last 5 consecutive trading days up to and including the Undisturbed Trading Day;
- (iii) a discount of approximately 47.60% to the average closing price of HK\$3.817 per Share for the last 10 consecutive trading days up to and including the Undisturbed Trading Day;
- (iv) a discount of approximately 77.78% to the closing price of HK\$9.00 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 73.73% to the average closing price of HK\$7.612 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (vi) a discount of approximately 71.14% to the average closing price of HK\$6.930 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

The Subscription Price also represents a discount of approximately 82.3% to the closing price of HK\$11.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out above, the discounts of the Subscription Price to the closing Share prices on and before the Undisturbed Trading Day (i.e. before there was any news in relation to the possible subscription by the potential investor of new securities in the Company as set out in the First Inside Information Announcement) range from approximately 47.60% to 51.34%. We consider that the increase in the closing price of Shares and the trading volume after publication of the First Inside Information Announcement is likely to be due to market speculation of a possible subscription by investors. On this basis and given the significant increases in the closing Share price and trading volume after the First Inside Information Announcement, we consider that the discounts of the Subscription Price to the closing Share prices on and before the Undisturbed Trading Day are more relevant to the Independent Shareholders for the purpose of comparing the Share prices with the Subscription Price.

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(b) *Share price performance*

The chart below illustrates the daily closing price per Share for the period from 1 January 2014 up to and including the Latest Practicable Date (the “Review Period”).



The closing Share prices shown in the chart above fall into 3 phases. In the first phase, up to 21 August 2014, the closing Share price was relatively stable and fluctuated in a range of between HK\$2.08 per Share to HK\$3.40 per Share. After trading hours on 21 August 2014, the Company published an announcement in relation to, among other things, subscription of new ordinary shares and new convertible preferred shares of Climax International Company Limited (currently known as KuangChi). The closing Share price surged to HK\$5.85 per Share on 22 August 2014, representing an increase of approximately 116.7% as compared to that on 21 August 2014 of HK\$2.70 per Share. From 23 August 2014 to 11 March 2015, the closing Share prices fluctuated in a range of between HK\$3.35 per Share and HK\$5.88 per Share. After 12 March 2015, we consider, as explained above, that the price was affected by market speculation about a subscription by investors.

On 12 March 2015 (i.e. the Undisturbed Trading Day), trading in the Shares was suspended with effect from 1:08 pm pending the release of the First Inside Information Announcement. Shares closed at HK\$4.11 per Share on the Undisturbed Trading Day. The First Inside Information Announcement was published after trading hours on 24 March 2015 and trading in the

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Shares resumed on 25 March 2015 (i.e. the First Resumption Day). The Share price surged and closed at HK\$7.20 per Share on the First Resumption Day, representing an increase of approximately 75.2% as compared to the closing Share price of HK\$4.11 per Share on the Undisturbed Trading Day.

From 26 March 2015 to 19 April 2015 (i.e. the trading day immediately prior to the Last Trading Day), the Shares closed in the range of HK\$5.26 per Share and HK\$8.30 per Share. The closing Share price was HK\$9.00 per Share on 20 April 2015 (i.e. the Last Trading Day) and trading in the Shares was halted with effect from 9:00 am on 21 April 2015 pending the release of the Second Inside Information Announcement and the Announcement. The Company published the Announcement after trading hours on 29 May 2015 and trading in the Shares resumed on 1 June 2015. The Share price surged and closed at HK\$22.65 per Share on 1 June 2015, representing an increase of approximately 151.7% as compared to the closing price of HK\$9.00 per Share on the Last Trading Day.

The Shares closed at a price of HK\$11.28 per Share as at the Latest Practicable Date. The Subscription Price represents a discount of approximately 82.3% to the closing price of the Shares as at the Latest Practicable Date.

(c) Comparison of market value of the Company

We have compared the closing market capitalisation of the Company on (i) the Undisturbed Trading Day; and (ii) the Latest Practicable Date, as follows:

	<i>HK\$'million</i> <i>(approximate)</i>	
Closing market capitalisation of the Company on the Undisturbed Trading Day	1,877.5 <i>(Note 1)</i>	A
Closing market capitalisation of the Company on the Latest Practicable Date	5,152.9 <i>(Note 2)</i>	B
Value Premium	3,275.4	C=B-A

Notes:

- (1) During the period from the Undisturbed Trading Day to the Latest Practicable Date, a total of 1,165,173 Shares were issued (157,381 Shares and 1,007,792 Shares in May and June 2015 respectively). For comparative purposes, the closing market capitalisation of the Company on the Undisturbed Trading Day is calculated by multiplying (a) 456,816,394 Shares (being the number of issued Shares as at the Latest Practicable Date), and (b) closing Share price of HK\$4.11 on the Undisturbed Trading Day.

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(2) Source from Bloomberg

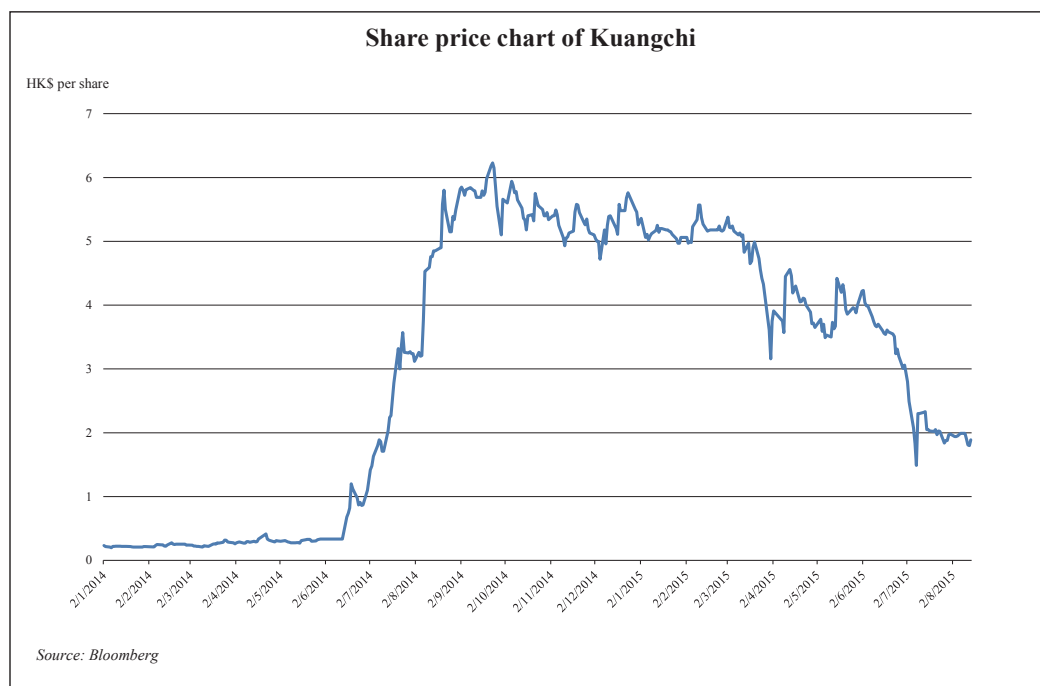
As demonstrated in the Share price chart above, the closing Share price increased substantially after publication of the First Inside Information Announcement and the Announcement without any material change in the fundamentals of the Company, apart from a profit warning announcement on 8 July 2015 and the loss of the Group for the six months ended 30 June 2015, which would normally be expected to have a negative effect on the Share price. Therefore, we consider it appropriate to assume that the change in the Company's market value during the above period is primarily due to the announcement of the Subscriptions. As shown in the table above, the closing market capitalisation of the Company on the Latest Practicable Date is approximately HK\$5,152.9 million, representing a premium of approximately HK\$3,275.4 million (or approximately 174.5%) over the closing market capitalisation of the Company on the Undisturbed Trading Day. This suggests a positive market reaction to the announcement of the Subscriptions, and quantifies the perceived valuation of the Company by the market after considering terms of the Subscriptions (including the Subscription Price) and the benefits accruing to the Group from the Subscriptions. There is no assurance that the closing Share price will remain at recent high levels or the Value Premium can be maintained if the Subscriptions do not proceed or cannot be completed for any reason.

5. Reassessed net asset value of the Group

The unaudited consolidated net assets attributable to equity shareholders of the Company at 30 June 2015 (the "2015 Interim NAV") was approximately HK\$975.2 million (representing approximately HK\$2.13 per Share). As discussed in the subsection headed "Financial information and prospects of the Group" above of this letter, the financial position of the Group as at 30 June 2015 was dominated by the Group's investment in KuangChi (fair value of investment in KuangChi of approximately HK\$528.4 million, representing approximately 54.2% of the 2015 Interim NAV).

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The chart below illustrates the daily closing prices per share of KuangChi during the period from 1 January 2014 to the Latest Practicable Date.



KuangChi announced the subscription of new ordinary shares and preferred shares, together with an application for a whitewash waiver after trading hours on 13 June 2014. Trading in the shares of KuangChi resumed on 16 June 2014. The closing share price of KuangChi trended upwards after publication of the announcement and surged to HK\$6.23 on 23 September 2014, the highest closing price per KuangChi share during the period, and closed at HK\$5.26 on 31 December 2014. This contrasts with a price of HK\$1.89 on the Latest Practicable Date.

In view of the decline in the share price of KuangChi in 2015 (particularly in July 2015), the investment in China Star Cultural by the Group completed in March 2015 and other subsequent developments after 31 December 2014 as set out in the sub-section headed “Financial information and prospects of the Group” above, we have reassessed the 2015 Interim NAV and set out below the adjusted unaudited consolidated net assets (the “Reassessed NAV”) of the Group. We consider that the Reassessed NAV reflects more accurately the up-to-date financial position of the Group.

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HK\$'million

Unaudited consolidated net asset attributable to equity shareholders of the Company as at 30 June 2015	975.2
Less:	
Unaudited change in fair value of financial asset investments (Note)	(315.8)
Reassessed NAV	659.4
	HK\$
Reassessed NAV per Share (based on 456,816,394 Shares in issue as at 30 June 2015)	1.44

Note: This represents the deficit arising from the change in the fair value of financial asset investments held by the Group from 30 June 2015 to the Latest Practicable Date as advised by the executive Directors. This adjustment of the fair value of financial asset investments is made in accordance with the accounting policies of the Group.

We obtain the list of financial asset investments of the Group as at 30 June 2015 from the executive Directors. Details (such as name of financial asset investment, quantity held as well as prices as at 30 June 2015 and the Latest Practicable Date are shown in the list. All the financial asset investments relate to listed companies. For these financial asset investments, we then cross check the relevant prices to either Bloomberg or the pricing formula as adopted by the Company in preparing the audited consolidated financial statements for the year ended 31 December 2014 to ensure accuracy. After checking the prices, we re-calculate the unaudited change in fair value of the financial asset investments with no material variance noted.

The Subscription Price of HK\$2.00 per Subscription Share represents a discount of approximately 6.1% to the 2015 Interim NAV of HK\$2.13 per Share. However, it represents a premium of approximately 38.9% over the Reassessed NAV per Share of HK\$1.44 per Share. As set out above, we consider that the Reassessed NAV more accurately reflects the Group's up-to-date financial position.

6. Comparable issues

As set out in the sub-section/section headed "Effect on shareholding structure of the Company" in the Announcement and in the "Letter from the Board" contained in the Circular, the Investors did not hold any Shares as at the date of the Announcement and the Latest Practicable Date. Upon Closing, the Concert Group will in aggregate be interested in approximately 55.97% of the enlarged issued share capital of the Company (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing) resulting in a change in control of the Company. In this respect, Jade Passion has made an application to the Executive for the Whitewash Waiver.

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We have searched the website of the Stock Exchange on a best efforts basis to identify all share issues (the “Comparable Issues”) announced since 1 January 2013 and up to the date immediately prior to the Latest Practicable Date by companies listed on the Stock Exchange (a) with the application for a whitewash waiver; (b) involving the placing/subscription/issue of new shares of the listed companies (where the shares were to be listed on the Stock Exchange) for cash to/by a subscriber resulting in the subscriber group and its controlling shareholders, which did not hold any shares of such listed companies prior to such placing/subscription/issue, (i) holding more than 30% of the voting rights and becoming the single largest shareholder of such listed companies as a result of the placing/subscription/issue of new shares of the listed companies, and (ii) leading to a change in control of such listed companies upon completion of the placing/subscription/issue; and (c) the whitewash waiver having been approved by the respective independent shareholders of listed companies. We have excluded (i) placing/subscription/issues announced by listed companies which, as at the date of announcement and/or currently, were/are under prolonged suspension; (ii) placing/subscription/issues involving only convertible securities; and (iii) transactions involving open offers or rights issues of new shares, where different pricing considerations apply.

It should be noted that the subject companies involved in the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared with those of the Company. The circumstances leading to the subject companies to proceed with the placing/subscription/issue may also be different from those relating to the Company. Accordingly, the Comparable Issues are set out for the Independent Shareholders’ information only and do not form a basis for us to assess the fairness of the Subscription Price.

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The Comparable Issues represent an exhaustive list of placing/subscription/issues meeting the criteria set out above. The table below illustrates the details of the Comparable Issues:

Date of announcement	Company name	Premium/(discount) of placing/subscription/ issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>
8 May 2013	Greenland Hong Kong Holdings Limited (formerly known as “SPG Land (Holdings) Limited” (“SPG Land”)) (stock code: 337) <i>(note 2)</i>	(25.3)	(10.2)	5.1
26 June 2013	New Focus Auto Tech Holdings Limited (stock code: 360)	(41.2)	(46.4)	(45.3)
10 October 2013	China New Town Development Company Limited (“China New Town”) (stock code: 1278) <i>(note 3)</i>	(46.0)	(44.8)	(41.0)
20 November 2013	GR Properties Limited (formerly known as “Buildmore International Limited”) (stock code: 108)	(55.0)	(54.1)	(55.2)

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Date of announcement	Company name	Premium/(discount) of placing/subscription/ issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>
23 January 2014	Alibaba Health Information Technology Limited (formerly known as “CITIC 21CN Company Limited”) (stock code: 241)	(63.9)	(61.8)	(61.2)
13 February 2014	GCL New Energy Holdings Limited (formerly known as “Same Time Holdings Limited” (“Same Time”)) (stock code: 451) <i>(note 4)</i>	(47.1)	(44.0)	(42.3)
11 March 2014	Alibaba Pictures Group Limited (formerly known as “ChinaVision Media Group Limited” (“ChinaVision”)) (stock code: 1060) <i>(note 5)</i>	(21.9)	(8.8)	9.4
10 June 2014	Kong Sun Holdings Limited (“Kong Sun”) (stock code: 295) <i>(note 6)</i>	(1.4)	(6.3)	3.2

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Date of announcement	Company name	Premium/(discount) of placing/subscription/ issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>
13 June 2014	KuangChi (formerly known as “Climax International Company Limited”) (stock code: 439)	(76.1)	(74.9)	(75.2)
4 September 2014	China Financial International Investments Limited (stock code: 721)	(66.7)	(65.4)	(64.0)
10 October 2014	Fortunet e-Commerce Group Limited (formerly known as “Changfeng Axle (China) Company Limited”) (stock code: 1039)	(29.0)	(23.3)	(22.0)
18 December 2014	China Star Cultural Media Group Limited (stock code: 8172)	(71.4)	(64.3)	(63.5)
29 January 2015	Good Fellow Resources Holdings Limited (stock code: 109)	(31.4)	(20.8)	(20.6)
2 February 2015	Jin Cai Holdings Company Limited (stock code: 1250)	(43.6)	(42.0)	(38.7)
9 March 2015	South East Group Limited (stock code: 726)	(42.9)	(35.1)	(31.3)

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Date of announcement	Company name	Premium/(discount) of placing/subscription/ issue price over/(to)		
		closing share price as at the last day of trading immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 5 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>	average closing share price for the 10 trading days immediately prior to the announcement <i>(note 1)</i> % <i>(approximate)</i>
23 July 2015	China Jinhai International Group Limited (stock code: 139)	(74.0)	(67.4)	(64.7)
4 June 2015	World Wide Touch Technology (Holdings) Limited (“World Wide”) (stock code: 1282) <i>(note 7)</i>	(41.0)	(36.8)	(32.3)
	Mean (simple average)	(45.8)	(41.6)	(37.6)
	Minimum	(76.1)	(74.9)	(75.2)
	Maximum	(1.4)	(6.3)	9.4
	The Subscription			
	— by reference to the Undisturbed Trading Day	(51.3)	(47.7)	(47.6)
	— by reference to the Last Trading Day	(77.8)	(73.7)	(71.1)

Source: relevant announcements relating to the application for whitewash waiver of the companies for the Comparable Issues

Notes:

- The closing share prices are sourced from Bloomberg.
- As mentioned in the announcement of SPG Land dated 8 May 2013, a special dividend of HK\$1.275 per share was proposed by SPG Land after the completion of the subscription of shares by the subscriber. Since the subscriber had waived its entitlement to the special dividend and the shares of SPG Land were traded cum the special dividend, we have compared the subscription price of HK\$1.9 per share (as set out in the announcement of SPG Land dated 8 May 2013) to the adjusted closing share prices of SPG Land to reflect the effect of the special dividend (being the closing price of shares of SPG Land on each relevant trading day less the special dividend of HK\$1.275 per share).

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3. China New Town published an announcement on 18 January 2013 in relation to, among other things, the discussions with several independent third parties regarding possible investment in China New Town in the form of subscription of new shares. As stated in the announcement of China New Town dated 10 October 2013, the subscription price of HK\$0.27 per share was determined with reference to, among other things, average closing price of its shares for the three months period prior to the suspension of trading of the shares on the “undisturbed trading date”. It was further disclosed in the announcement of China New Town dated 10 October 2013 that 14 January 2013 was the “undisturbed trading date”, i.e. the last trading day of the shares before the release of the aforesaid announcement dated 18 January 2013. Accordingly, we have taken 14 January 2013 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 14 January 2013.
4. Same Time published an announcement after trading hour on 29 October 2013 in relation to, among other things, the memorandum of understanding in respect of a possible subscription of new shares and convertible bonds in Same Time. Pursuant to the memorandum of understanding, the subscription price was determined at HK\$4.0 per share with reference to, among other things, the then recent trading performance of the shares of Same Time. As stated in the announcement of Same Time dated 13 February 2014, the subscription price of HK\$4.0 per share was arrived at with reference to, among other things, trading performance of the shares of Same Time prior to the date of the memorandum of understanding. Accordingly, we have taken 29 October 2013 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 29 October 2013.
5. Trading in shares of ChinaVision was suspended with effect from 9:30 a.m. on 25 February 2014 pending the release of its announcement dated 11 March 2014. 2.32 million shares of ChinaVision were traded on 25 February 2014 with a closing share price of HK\$0.64 per share on the same day. We have taken 25 February 2014 as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 25 February 2014.
6. As stated in the announcement of Kong Sun dated 10 June 2014, the subscription price of HK\$0.36 per share was arrived at with reference to, among other things, the then prevailing market prices of the shares of Kong Sun prior to the memorandum of understanding dated 29 March 2014. Accordingly, we have taken 28 March 2014 (i.e. the last day of trading immediately prior to 29 March 2014) as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 28 March 2014.
7. As stated in the announcement of World Wide dated 4 June 2015, the subscription price of HK\$0.18 per share was determined on or about the date of signing the memorandum of understanding dated 14 April 2015. Trading in the shares of World Wide was halted with effect from 9:00 a.m. on 14 April 2015 pending the release of an announcement in relation to the aforesaid memorandum of understanding. Accordingly, we have taken 13 April 2015 (i.e. the last day of trading immediately prior to 14 April 2015) as the last trading day for our assessment, including calculation of the average closing share prices of different periods prior to and including 13 April 2015.
8. Simsen International Corporation Limited (“Simsen”) (stock code: 993) published an announcement dated 7 October 2014 in relation to, among other things, entering into of a memorandum of understanding between Simsen and a potential investor for possible subscription of shares of Simsen. Following that, an announcement was made by Simsen dated 23 March 2015 in relation to, among other things, (i) the subscription of new shares of Simsen; (ii) application for whitewash waiver; and (iii) distribution in specie of a subsidiary of Simsen. The above subscription would in theory have met our selection criteria for Comparable Issues as set out above. However, as set out in Appendix I to the Simsen’s circular dated 30 June 2015, the theoretical downward effect of the distribution in specie (item iii above) on the share price could not be quantified beforehand and would be impacted by different factors. Accordingly, we have excluded Simsen from our analysis.

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The 17 Comparable Issues set out in the table above have generally involved a placing, subscription or issue of new shares at discounts to their respective historical trading prices, except for the 10-day average closing price comparison of SPG Land, ChinaVision and Kong Sun, which represents premia in a range from approximately 3.2% to 9.4%. On this basis, we consider that the issue of the Subscription Shares at discount to market prices is in line with the market norm.

As set out in the table above, the Subscription Price represents (a) a discount of approximately 77.8% to the closing Share price on the Last Trading Day; (b) a discount of approximately 73.7% to the average closing price for the 5 trading days immediately prior to and including the Last Trading Day; and (c) a discount of approximately 71.1% to the average closing price for the 10 trading days immediately prior to and including the Last Trading Day. The discount of approximately 77.8% represented by the Subscription Price to the closing Share price on the Last Trading Day is slightly higher than the range of discounts and premium of the Comparable Issues for the closing share price as at the last trading day. For the other two discounts for the 5 and 10 trading days immediately prior to and including the Last Trading Day, they are (i) within the range of discounts and premium, although close to the high end of discount range of; and (ii) less favourable than the mean of the range of discounts and premium of, the Comparable Issues for the average closing share price for each of the 5 and 10 trading days. Also, all of these discounts by reference to the Last Trading Day are larger than the discounts calculated by reference to the Undisturbed Trading Day. As set out in the sub-section headed “Analysis of the historical price performance of the Shares” above of this letter, there were significant increases in the closing Share price and trading volume after the First Inside Information Announcement. The increase in Share price since then is, in our opinion, most probably due to the expectation that a transaction on the lines of the Subscriptions would be done. Therefore, the prices of the Shares after the First Inside Information Announcement built in a value in excess of the fundamentals of the Company. On this basis, we consider that analyses based on the closing Share price on or before the Undisturbed Trading Day are more relevant to the Independent Shareholders for the purpose of comparing the Share price with the Subscription Price. The Subscription Price represents (a) a discount of approximately 51.3% to the closing Share price on the Undisturbed Trading Day; (b) a discount of approximately 47.7% to the average closing price for the 5 trading days immediately prior to and including the Undisturbed Trading Day; and (c) a discount of approximately 47.6% to the average closing price for the 10 trading days immediately prior to and including the Undisturbed Trading Day. These discounts are:

- (1) towards the middle of the range of discounts of the Comparable Issues for the closing share price as at the last trading day immediately prior to the relevant announcement, as well as the average closing share price for each of the relevant 5 and 10 trading days; and
- (2) slightly less favourable than the mean of the range of discounts and premium of the Comparable Issues for the closing share price as at the last trading day immediately prior to the relevant announcement, as well as the average closing share price for each of the relevant 5 and 10 trading days.

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7. Discussion on the Subscription Price

As discussed above, the financial results for the year ended 31 December 2014 were dominated by the Group's investment in KuangChi (unrealised gains on investment in KuangChi of approximately HK\$901.3 million representing approximately 118.8% of audited consolidated profits attributable to equity shareholders of the Company of approximately HK\$758.9 million for the year ended 31 December 2014).

We are advised by the executive Directors that the Investors raised this matter during the negotiation process, in particular, whether similar investment transactions could be generated on a regular basis or not. The executive Directors accordingly placed more weight on the consolidated net asset value of the Group as at 31 December 2014 in agreeing with the Subscription Price than on the Group's 2014 earnings. Since (a) the share price of KuangChi has since declined sharply; and (b) the Group still holds its investment in KuangChi as at the Latest Practicable Date, we consider that historical 2014 financial results of the Group, which depend so heavily on the market price of KuangChi as at 31 December 2014, would not be relevant for the Company in agreeing with the Subscription Price, and that it would be appropriate for the Company to place more weight on the net asset value of the Group in agreeing with the Subscription Price.

As discussed above, the market value of the KuangChi investment (being classified as financial assets) as at the Latest Practicable Date was substantially lower than its market value as at 31 December 2014. The market value of other investments (being classified as financial assets) of the Group as at the Latest Practicable Date is also different from their respective market values as at 31 December 2014. Moreover, the Group has made certain new financial asset investments subsequent to 31 December 2014 as detailed above. Given (a) the recent volatile environment of the stock market; and (b) the Group's financial results depending largely on the fair value changes of its financial asset investments, we consider that an analysis of Hong Kong listed comparable companies against the Company based on 2014 earnings is of limited relevance to the Independent Shareholders in considering the terms of the Subscription Agreements. The Reassessed NAV of the Group (reflecting the latest fair value changes of financial asset investments of the Group up to the Latest Practicable Date) is, in our view, more relevant to the Independent Shareholders in this regard. However, we are unable to make a fair comparison with the reassessed net asset value of similar Hong Kong listed companies due to the lack of detailed information on their portfolios of financial asset investments in the financial statements. Accordingly, we have not carried out any comparison between the Company and other similar Hong Kong listed companies in this respect. Instead, our analysis is based on comparing the Subscription Price against (i) historical price performance of the Shares as set out in the sub-section headed "Analysis of the historical price performance of the Shares" above; and (ii) the Reassessed NAV of the Group as set out in the sub-section headed "Reassessed net asset value of the Group" above.

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As set out in the sub-section headed “Reasons for and benefits of the Subscriptions” in the section headed “Future intention of YFHL regarding the Group” in the “Letter from the Board” contained in the Circular, each of the Other Investors (being Harbour Yields, Violet Passion, Gentle Bright and Chosen Global) is owned by an affluent individual professional investor based in the PRC who has made various investments in start-up and/or financial services and/or internet businesses. Although these Other Investors are financial investors as opposed to strategic investors and therefore would not be giving any direct strategic direction to the Company’s management, the Directors consider that the Other Investors can contribute meaningfully to the Company’s business because (i) the Other Investors’ Subscriptions will bring in gross proceeds of approximately HK\$1,199 million, thereby enabling the Group to have additional proceeds to achieve the plans and long-term vision of developing into an innovative internet financial services institution providing comprehensive financial services spanning both domestic and overseas capital markets, as more specifically mentioned under the sections headed “Future intention of YFHL regarding the Group” and “Use of proceeds” in the “Letter from the Board” contained in the Circular; (ii) the Group’s key business is financial services covering amongst others, brokerage, investment advisory, asset allocation, wealth management and risk management solutions, which are financial services that affluent professional investors will require and it is expected that the Other Investors would consider using the financial services of the Group when appropriate given their investments in the Company and that it would be in their interests that the Company succeeds in its strategy and plans; (iii) it is also expected that the Other Investors would be able to offer valuable business opportunities to the Group due to their network of affluent investors and businessmen, which will enable the Group to expand its services to cross-border customers, driving the Group’s development for the purpose of providing cross-border financial products and services. On this basis, and together with our discussion in the section headed “Background to and reasons for the Subscriptions” above of this letter, we are of the view that benefits would be derived by the Group from the Subscriptions.

Based principally on

- (1) the results of the Group for the last three financial years (losses for 2012 and 2013, and 2014 except for the profit dependent on the unrealised gains on investment in KuangChi of approximately HK\$901.3 million) and the 2015 interim loss of the Group;
- (2) the Group not generating sufficient cash inflow internally to support its operating activities for the two years ended 31 December 2013 and 2014 as discussed above;

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- (3) the Subscriptions being consistent with the Company's past fund raising practice;
- (4) "lock-in" the substantial amount of gross proceeds of approximately HK\$3.9 billion through the subscriptions representing approximately 16.8 times and 2.8 times cash and cash equivalents and total assets of the Group respectively as at 30 June 2015, significantly strengthening the working capital of the Group to develop its business;
- (5) the Value Premium (as a result of positive response to the Subscriptions by the market after considering the terms of the Subscriptions including the Subscription Price) of approximately HK\$3.3 billion (being the increase in value of the Company between (i) the closing market capitalisation of the Company on the Undisturbed Trading Day; and (ii) the closing market capitalisation of the Company on the Latest Practicable Date), which benefits all Shareholders;
- (6) the Subscription Price representing a premium of approximately 38.9% over the Reassessed NAV per Share (the Reassessed NAV incorporated the unaudited fair value change of financial asset investments which is adjusted in accordance with the Group's accounting policies) which reflects the up-to-date financial position of the Group;
- (7) the increase in the Reassessed NAV per Share immediately after Closing based on the assumptions discussed in the sub-section headed "Financial effects of the Subscriptions" below of this letter; and
- (8) the Subscriptions (including the strategic partnership with YFHL) to bring additional investment opportunities to the Group such as referral of potential corporate finance transactions and customers by YFHL and assist it to grasp opportunities to expand the Group's business into private wealth management and internet financial services, further details of which are set out in the section above headed "Background to and reasons for the Subscriptions",

we consider that the Subscription Price is fair and reasonable.

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8. Financial effects of the Subscriptions

As set out in the section headed “Use of proceeds” in the “Letter from the Board” contained in the Circular, the gross proceeds from the Subscriptions are approximately HK\$3,885 million. We are advised by the executive Directors that the maximum aggregate amount of professional fees and other expenses in relation to the Subscriptions is estimated to be approximately HK\$10.0 million, and the net proceeds from the Subscriptions (after deduction of estimated professional fees and other expenses) are estimated to be at least approximately HK\$3,875 million. The net proceeds from the Subscriptions are expected to be used by the Group to support the development of the existing businesses of the Group as well as for expansion into new business platforms and territories. In particular, it is envisaged that around 40% of the net proceeds will be used for the future expansion of the existing business of the Group, including primarily retail brokerage and investment banking businesses, which includes, among other things, setting up new branches, upgrading the IT infrastructure and enhancing the capital resources of the Group. Around 60% of the net proceeds will be used for new business development, including, among other things, establishment of a private wealth management platform, development of a financial services ecosystem that is based on the internet and expansion into markets outside of Hong Kong. These business developments may involve acquisition of assets or businesses or formation of joint ventures or partnerships, although no targets for acquisitions, joint ventures or partnerships, have been identified as at the Latest Practicable Date. As the Closing is conditional, no commitment for any expenditure relating to the acquisition of assets, such as those needed for expansion of existing businesses of the Group and the upgrade of the IT infrastructure, has been made. The Company has no plan to conduct further financing activities in the near term. Further details of the use of proceeds from the Subscriptions are set out in the section headed “Use of proceeds” in the “Letter from the Board” contained in the Circular.

As set out in the Company’s 2015 interim results announcement, the 2015 Interim NAV was approximately HK\$975.2 million (representing approximately HK\$2.13 per Share, based on a total of approximately 456.816 million Shares in issue as at 30 June 2015). As set out on page 60 of this letter, the Reassessed NAV is approximately HK\$659.4 million (representing approximately HK\$1.44 per Share). Upon Closing, 1,942,520,000 new Shares will be issued by the Company as the Subscription Shares and the Company shall receive the subscription money in cash. Accordingly, the consolidated net assets attributable to equity shareholders of the Company are expected by the executive Directors to be increased by approximately the same amount as the aggregate net proceeds from the Subscriptions.

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The tables below set out, for illustration purpose, the effects of the Subscriptions on the 2015 Interim NAV per Share and the Reassessed NAV per Share, assuming that Closing had taken place on 30 June 2015:

	<i>HK\$' million</i> <i>(approximate)</i>
(i) Based on 2015 Interim NAV	
2015 Interim NAV	975.2
<i>Add:</i> Estimated minimum net proceeds from the Subscriptions	<u>3,875.0</u>
Total	4,850.2
	<i>Number of Shares</i>
Number of Shares in issue as at 30 June 2015	456,816,394
<i>Add:</i> Number of new Subscription Shares to be issued	<u>1,942,520,000</u>
Total	2,399,336,394
Consolidated net assets attributable to equity shareholders of the Company per Share immediately after Closing (approximately HK\$4,850.2 million divided by 2,399,336,394 Shares)	Approximately HK\$2.02 per Share
	<i>HK\$' million</i> <i>(approximate)</i>
(ii) Based on Reassessed NAV	
Reassessed NAV	659.4
<i>Add:</i> Estimated minimum net proceeds from the Subscriptions	<u>3,875.0</u>
Total	4,534.4
	<i>Number of Shares</i>
Number of Shares in issue as at 30 June 2015	456,816,394
<i>Add:</i> Number of new Subscription Shares to be issued	<u>1,942,520,000</u>
Total	2,399,336,394
Consolidated net assets attributable to equity shareholders of the Company per Share immediately after Closing (approximately HK\$4,534.4 million divided by 2,399,336,394 Shares)	Approximately HK\$1.89 per Share

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As illustrated above, the consolidated net assets attributable to equity shareholders of the Company per Share of approximately HK\$2.02 immediately after Closing represents a decrease of approximately 5.2% as compared to the 2015 Interim NAV per Share of approximately HK\$2.13 as at 30 June 2015. However, the Reassessed NAV per Share of approximately HK\$1.89 immediately after Closing represents a premium of approximately 31.3% over the Reassessed NAV per Share as at 30 June 2015 of approximately HK\$1.44. As commented above, we believe that the Reassessed NAV comparison is the more relevant one for Shareholders to consider.

9. Whitewash Waiver – dilution effects on shareholding

The following table summarises the effect of the Subscriptions on the shareholding structure of the Company immediately upon Closing, assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing. Further details on the effect of the Subscriptions on the shareholding structure are set out in the section headed “Effect on shareholding structure of the Company” in the “Letter from the Board” contained in the Circular.

	As at the Latest Practicable Date		Immediately after allotment and issue of the Subscription Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Gainhigh Holdings Limited	229,180,726	50.17	229,180,726	9.55
Mr. Brett McGonegal	10,410,914	2.28	10,410,914	0.43
Concert Group	—	—	1,342,976,000	55.97
Sub-total	239,591,640	52.45	1,582,567,640	65.95
Public Shareholders				
Gentle Bright	—	—	167,872,000	7.00
Violet Passion	—	—	167,872,000	7.00
Harbour Yields	—	—	155,882,000	6.50
Chosen Global	—	—	107,918,000	4.50
Shaw David Elliot	31,584,000	6.91	31,584,000	1.31
Other public Shareholders	185,640,754	40.64	185,640,754	7.74
Sub-total	217,224,754	47.55	816,768,754	34.05
Total	456,816,394	100.00	2,399,336,394	100.00

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As illustrated above, the shareholding of the existing public Shareholders would be reduced from 47.55% as at the Latest Practicable Date to approximately 9.05% immediately after completion of the Subscriptions.

There will be substantial dilution to the shareholding interest of the existing public Shareholders as a result of the Subscriptions. However, having taken into account (i) the benefits to be derived by the Group from the Subscriptions as set out in the section headed “Background to and reasons for the Subscriptions” above; (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the increase in the closing Share price after publication of the First Inside Information Announcement and the Announcement from HK\$4.11 per Share on the Undisturbed Trading Day to HK\$11.28 per Share on the Latest Practicable Date which benefits all Shareholders, we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscriptions is acceptable.

10. Whitewash Waiver – Takeovers Code provisions

As set out in the section headed “Application for Whitewash Waiver” in the “Letter from the Board” contained in the Circular, immediately after Closing, the Concert Group will in aggregate be interested in approximately 55.97% of the issued share capital of the Company as at the Latest Practicable Date as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares between the Latest Practicable Date and Closing).

Pursuant to Rule 26.1 of the Takeovers Code, the acquisition of voting rights under such circumstances will trigger an obligation to make a mandatory general offer by Jade Passion for all the issued Shares and other securities of the Company other than those already owned (or agreed to be acquired) by it and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. An application to the Executive for the Whitewash Waiver in respect of the allotment and issue of the YFHL Subscription Shares has been made by Jade Passion. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders on a vote by way of poll at the EGM.

Shareholders should note that the Subscriptions are subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent as set out in the sub-section headed “Conditions of the Subscriptions” in the section headed “The Subscriptions” in the “Letter from the Board” contained in the Circular, including the granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM for the Whitewash Waiver, which cannot be waived. Consequently, the Subscriptions may or may not proceed.

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Shareholders should also note that if the Whitewash Waiver is approved by the Independent Shareholders, the aggregate shareholding of the Concert Group in the Company will exceed 50% upon Closing. On this basis, Jade Passion may further increase its shareholdings in the Company without triggering further obligations for a general offer under the Takeovers Code.

Having taken into consideration (i) the benefits to be derived by the Group from the Subscriptions as set out in the section headed “Background to and reasons for the Subscriptions” above of this letter; (ii) that the Subscription Price is considered to be fair and reasonable as set out in this letter above; and (iii) the increase in the Share closing price after publication of the First Inside Information Announcement and the Announcement which benefits all Shareholders, we are of the view that the Whitewash Waiver (the granting of which is one of the conditions precedent of the Subscriptions) is fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

DISCUSSION

The Group is principally engaged in securities broking, placing and underwriting, provision of consultancy and advisory services, and investment holding. It has recorded total segment losses and consolidated net losses attributable to equity shareholders of the Company for both 2012 and 2013. Segment results of the Group improved in 2014 and the Group recorded a consolidated profit attributable to equity shareholders of the Company of approximately HK\$758.9 million in 2014. However, the results of the Group in 2014 were dominated by unrealised gains on financial assets of approximately HK\$920.5 million, of which approximately HK\$901.3 million was derived from unrealised gains on investment in KuangChi. Even though there was improvement in total segment results in 2014, the Group would have recorded a consolidated loss excluding the unrealised gains on financial assets. For the six months ended 30 June 2015, the Group recorded a consolidated loss attributable to equity shareholders of the Company of approximately HK\$52.2 million, of which approximately HK\$48.0 million was due to a net loss on financial assets at fair value through profit or loss.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The financial results for 2014 and the financial position as at 31 December 2014 and 30 June 2015 were significantly influenced by the Group's investment in KuangChi. As set out in the sub-section headed "Financial information and prospects of the Group" above, the Group's holding in KuangChi as at the Latest Practicable Date was worth approximately HK\$586.4 million less than the market value as at 31 December 2014, after taking into account the additional payment of the subscription money in respect of the shares of KuangChi subsequent to the year end of 31 December 2014. Most of the unrealised gain on KuangChi at 31 December 2014 had evaporated by the Latest Practicable Date. In addition, the Group recorded a consolidated loss attributable to equity shareholders of the Company for the six months ended 30 June 2015 of approximately HK\$52.2 million despite a segment profit of approximately HK\$46.9 million as the segment profit was offset by the net loss on financial assets at fair value through profit or loss of approximately HK\$48.0 million. In view of this volatility, we concur with the executive Directors' view that it would be in the interests of the Group to establish a strategic cooperation with a substantial and reputable partner who could assist the Group in establishing a more stable and reliable recurrent business platform. The Subscriptions would allow the Group to establish a strategic partnership with Mr. Yu Feng and YFHL, which will benefit the Group's long term development and bring additional investment opportunities to the Company. We agree with the executive Directors' view that the strength of the Group can be increased and complemented by introducing the expertise of Mr. Yu Feng and YFHL.

As set out in the sub-section headed "Analysis of the historical price performance of the Shares" above, the Subscription Price is at all times below the closing Share price during the Review Period and represents discounts in a range from approximately 47.60% to approximately 51.34% to the closing Share price under various parameters on or before the Undisturbed Trading Day. On the other hand, the closing price of the Shares increased significantly after the publication of the First Inside Information Announcement and the Announcement. The Shares closed at a price of HK\$11.28 per Share as at the Latest Practicable Date and the Subscription Price represents a discount of approximately 82.3% to the closing price of the Shares as at the Latest Practicable Date. There has also been an increase in value of the Company as represented by the Value Premium of approximately HK\$3,275.4 million (representing approximately 174.5% of the closing market capitalisation of the Company on the Undisturbed Trading Day) between the closing market capitalisation amounts of the Company between the Undisturbed Trading Day and the Latest Practicable Date. This Value Premium may be related to market expectations of the benefits that will be brought to the Group as a result of the Subscriptions and suggest a positive market reaction. There is no assurance that the closing Share price will remain at recent high levels or the Value Premium can be maintained if the Subscriptions do not proceed or cannot be completed for any reason.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our analysis of the Subscription Price is set out in the sub-section headed “Discussion on the Subscription Price” above. On the basis set out in that sub-section, including (a) historical financial results of the Group; (b) insufficient cash inflow generated internally from operating activities for 2013 and 2014; (c) the Subscriptions being consistent with the Company’s past fund raising practice; (d) substantial amount of gross proceeds from the Subscriptions, strengthening the working capital of the Group to develop its business; (e) the Value Premium (as a result of positive response to the Subscriptions by the market after considering the terms of the Subscriptions including the Subscription Price) which benefits all Shareholder; (f) the premium of the Subscription Price over the Reassessed NAV per Share (the Reassessed NAV incorporated the unaudited fair value change of financial asset investments which is adjusted in accordance with the Group’s accounting policies); (g) the increase in the Reassessed NAV per Share immediately after Closing; and (h) the benefits (including the strategic partnership with YFHL) to be derived by the Group from the Subscriptions as set out in the section headed “Background to reasons for the Subscriptions” above, we consider that the Subscription Price is fair and reasonable. Further details are set out in the sub-section above headed “Discussion on the Subscription Price”.

As stipulated under the Subscription Agreements, the Investors will subscribe for approximately 1.9 billion new Shares. The gross proceeds from the Subscriptions are expected to be approximately HK\$3.9 billion, representing approximately 207.5% of the market capitalisation of the Company of approximately HK\$1.9 billion on the Undisturbed Trading Day, and will be utilised to support the development of the existing businesses of the Group as well as for expansion into new business platforms and territories. As set out in the section headed “Future intention of YFHL regarding the Group” in the “Letter from the Board” contained in the Circular, as at the Latest Practicable Date, YFHL has not formulated definitive proposals, terms or timetable for any possible future acquisitions, or entered into any agreements for any possible future acquisitions. Further details are set out in the “Letter from the Board” contained in the Circular. It is expected that the working capital of the Group would be enhanced. YFHL is “locked up” for 18 months from the Closing Date.

The dilution to the shareholding interest of the existing public Shareholders from approximately 47.55% as at the Latest Practicable Date to approximately 9.05% immediately after completion of the Subscriptions is substantial. However, in view of (i) the benefits to be derived by the Group from the Subscriptions; (ii) the Subscription Price being considered to be fair and reasonable as discussed above; and (iii) the increase in the Share closing price after publication of the First Inside Information Announcement and the Announcement which benefits all Shareholders, we consider that the dilution effect is acceptable.

Jade Passion has applied for the Whitewash Waiver, which is a condition of the Subscriptions being completed, and which because of the benefits set out above, we consider fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons which are summarised in the section headed “Discussion” of this letter above, we consider that (1) the Whitewash Waiver and the terms of the Subscription Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (2) the Subscriptions and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscriptions and the Whitewash Waiver.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Richard Leung
Director

Mr. Richard Leung is a licensed person and a responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for each of the three financial years ended 31 December 2012, 2013, 2014 and unaudited interim financial results for 30 June 2015; and (ii) the audited assets and liabilities of the Group as at 31 December 2012, 2013, 2014 and unaudited assets and liabilities as at 30 June 2015 as extracted from the annual reports and interim announcement of the Company for the year ended 31 December 2013, 2014 and for the period ended 30 June 2015.

(a) Consolidated income statement

	For the year ended 31 December			For the six month period ended 30 June
	2012 (audited) HK\$'000	2013 (audited) HK\$'000	2014 (audited) HK\$'000	2015 (unaudited) HK\$'000
Revenue	<u>46,796</u>	<u>77,516</u>	<u>133,370</u>	<u>121,569</u>
Gross profit/(loss)	<u>(95,992)</u>	<u>(86,777)</u>	<u>759,460</u>	<u>(28,746)</u>
Profit/(loss) before taxation	(96,307)	(87,360)	759,327	(31,198)
Taxation charge	<u>—</u>	<u>—</u>	<u>(450)</u>	<u>(24,304)</u>
Profit/(loss) for the year/period	<u>(96,307)</u>	<u>(87,360)</u>	<u>758,877</u>	<u>(55,502)</u>
Attributable to:				
Equity Shareholders of the Company	(96,068)	(87,385)	758,856	(52,180)
Non-controlling interests	<u>(239)</u>	<u>25</u>	<u>21</u>	<u>(3,322)</u>
	<u>(96,307)</u>	<u>(87,360)</u>	<u>758,877</u>	<u>(55,502)</u>
Earnings/(loss) per share				
Basic (HK\$)	<u>(0.25)</u>	<u>(0.22)</u>	<u>1.73</u>	<u>(0.11)</u>
Diluted (HK\$)	<u>(0.25)</u>	<u>(0.22)</u>	<u>1.73</u>	<u>(0.11)</u>
Dividend per share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Consolidated statement of financial position

	As at 31 December			As at
	2012	2013	2014	30 June
	(audited)	(audited)	(audited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	411,787	270,324	1,360,843	1,363,948
Total liabilities	<u>245,632</u>	<u>109,255</u>	<u>339,942</u>	<u>386,102</u>
Net assets	<u>166,155</u>	<u>161,069</u>	<u>1,020,901</u>	<u>977,846</u>
Equity attributable to owners of the Company	160,308	155,047	1,014,934	975,247
Non-controlling interests	<u>5,847</u>	<u>6,022</u>	<u>5,967</u>	<u>2,599</u>
Total equity	<u>166,155</u>	<u>161,069</u>	<u>1,020,901</u>	<u>977,846</u>

The auditors of the Company for each of the three years ended 31 December 2012, 2013 and 2014, KPMG, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

During the year ended 31 December 2014 and 31 December 2013, there is fair value gain on financial assets through profit and loss of HK\$920,486,000 and HK\$8,000,000 and none of such in prior years. For more details, please see Note 5 to the audited consolidated financial information for the year ended 31 December 2014 in this appendix.

Save for the above, the Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2012, 2013 and 2014.

(c) Material Litigation

As at the Latest Practicable Date, a subsidiary of the Group has received communications from an independent third party, Ms Catherine Shiang (“Shiang”) of Asia Capital Advisor, Ltd., to the effect that Shiang believes she is owed unpaid fees or other remuneration, of an unspecified amount, for unspecified services provided to the Group (“Claim”). Shiang has communicated to the Group that legal proceedings may be brought against the Group in connection with the Claim. However, the Group has been provided with no particulars, documentary support or credible basis for the Claim. Consequently, the Group is not able to reasonably identify any reasonable basis for the Claim, or, the quantum for the Claim, assuming it succeeds. On the basis of the lack of documentary support or credit basis for the Claim or any agreement, arrangement or understanding that may form the basis for any other claims, Group considers the Claim to be frivolous and without merit, and will vigorously resist and defend against the Claim, and will take all actions and steps it considers necessary to defend and protect the interests of the Group.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any member of the Group.

(d) Material Change

Saved as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

(1) Unaudited consolidated loss attributable to equity shareholders of the Company for the six months ended 30 June 2015 (as compared to consolidated profit attributable to equity shareholders of the Company in 2014) and improvement of cash and cash equivalents balance as at 30 June 2015

As disclosed in the interim results announcement of the Company dated 5 August 2015, the Group recorded revenue of approximately HK\$121.6 million for the six months ended 30 June 2015 as a result of completion of a number of financial advisory work, representing approximately 91.2% of revenue of the Group in 2014. Provision for impairment loss of other receivables of approximately HK\$10.9 million (including provision of approximately HK\$4.7 million in respect of other receivable from ReOil, LLC, an associated company of the Group) was made for the six months ended 30 June 2015.

Although there was a strong growth in revenue, the Group recorded consolidated loss attributable to equity shareholders of the Company of approximately HK\$52.2 million for the six months ended 30 June 2015 (as compared to consolidated profit attributable to equity shareholders of the Company of approximately HK\$758.9 million for the year ended 31 December 2014) primarily due to the net fair value downward changes of the Group's financial asset holdings.

The Group disposed of certain financial asset investments during the six months ended 30 June 2015 and this resulted in an increase of cash and cash equivalents balance from approximately HK\$74.6 million as at 31 December 2014 to approximately HK\$230.8 million as at 30 June 2015.

It was further disclosed in the interim results announcement that the Group entered into a conditional subscription agreement with EDS Wellness Holdings Limited ("EDS Wellness"), to subscribe for 13,494,090 new ordinary shares of EDS Wellness for a cash consideration of approximately HK\$5.4 million. The Group also entered into a conditional subscription agreement with 21 Holdings Limited ("21 Holdings") to subscribe for 39,256,662 shares of 21 Holdings at a subscription price of HK\$0.4 per share. Moreover, 21 Holdings agreed to issue 30,000,000 shares at HK\$0.4 each credited as fully paid to the Group to settle its advisory fees in relation to the subscription.

As at the Latest Practicable Date, the subscriptions of EDS Wellness shares and 21 Holdings shares, and the issue of 21 Holdings shares to settle advisory fees have not yet been completed. The closing share prices of shares of EDS Wellness and 21 Holdings were HK\$8.7 and HK\$3.13 per share respectively as at the Latest Practicable Date.

Further details are set out in the interim results announcement of the Company dated 5 August 2015.

(2) *Capital and operating lease commitments*

In addition to the capital commitments set out in the paragraph headed “Indebtedness Statement” below, the Group had operating lease commitments on office premise properties of approximately HK\$61.2 million as at 31 July 2015 as compared to approximately HK\$33.2 million as at 31 December 2014. The increase in operating lease commitments was mainly due to the execution of new office tenancy agreements in July 2015. Further details of the capital commitments were set out in the interim results announcement of the Company for the six months ended 30 June 2015.

(3) *Subsequent changes in fair value of financial asset investments after 30 June 2015*

(i) *KuangChi Science Ltd. (“KuangChi”) (stock code: 439) investment and other financial asset investments held on 30 June 2015 not yet been realised as at the Latest Practicable Date*

It was stated in the announcement of the Company dated 21 August 2014 that the Group, along with a number of other parties, entered into a subscription agreement with KuangChi (formerly known as “Climax International Company Limited”), pursuant to which KuangChi conditionally agreed (amongst other things) to issue to the Group 66,666,666 new ordinary shares fully paid at an issue price of HK\$0.08 per subscription share and 107,333,334 new preferred shares partly paid as to HK\$0.004 per preferred share (representing 5% of the subscription price of HK\$0.08 per preferred share). As at the Latest Practicable Date, approximately 53.7 million preferred shares of KuangChi had been fully paid and converted into ordinary shares of KuangChi. The Group was interested in approximately 120.3 million ordinary shares and

approximately 53.7 million preferred shares of KuangChi as at the Latest Practicable Date. According to the accounting policies of the Group, the Group's interests in the ordinary shares and preferred shares of KuangChi are classified as financial assets at fair value through profit or loss in the consolidated statement of financial position of the Group. The change in fair value of financial asset investments in KuangChi during the six months ended 30 June 2015 had been reflected in the 2015 interim financial statements of the Group.

The closing share price of the shares of KuangChi as at the Latest Practicable Date was HK\$1.89 per share, representing a decrease of approximately 38.2% compared to the closing share price of HK\$3.06 per share on 30 June 2015. The Group's holding in KuangChi had a market value of approximately HK\$324.8 million as at the Latest Practicable Date, approximately HK\$203.6 million lower than the market value on 30 June 2015.

(ii) *Martin Aircraft Company Limited ("Martin Aircraft")*

It was stated in the announcement of the Company dated 24 February 2015 that the Group provided financial advisory service to KuangChi in respect of its possible investment in Martin Aircraft (stock symbol: MJP), a company listed on the Australian Securities Exchange. The financial advisory service fee was settled by issue of approximately 11.7 million ordinary shares of Martin Aircraft at an issue price of AUD0.4 per share issued to the Group on 24 February 2015. Further details are set out in the announcement of the Company dated 24 February 2015. Pursuant to the accounting policies of the Group, the Group's interests in Martin Aircraft are classified as financial assets at fair value through profit or loss in the consolidated statement of financial position of the Group. The change in fair value of financial asset investments in Martin Aircraft during the six months ended 30 June 2015 had been reflected in the 2015 interim financial statements of the Group.

As at the Latest Practicable Date, the Group has not yet disposed of Martin Aircraft investment. The closing share price of the shares of Martin Aircraft was AUD0.645 per share as at the Latest Practicable Date, representing a drop of approximately 14.6% compared to the closing share price of AUD0.755 per share on 30 June 2015. Market value of Martin Aircraft investment was approximately HK\$42.7 million as at the Latest Practicable Date, which was approximately HK\$9.8 million lower than the market value on 30 June 2015.

(4) *The Subscription Agreements and the future intention of YFHL regarding the Group*

On 29 May 2015, the Company announced that YFHL and the Other Investors entered into the Subscription Agreements with the Company to raise gross proceeds of approximately HK\$3.9 billion. It is stated in the section headed “Future intention of YFHL regarding the Group” as set out in the “Letter from the Board” contained in this circular that YFHL intends to undertake a detailed strategic review on the Group for the purpose of formulating business plans and strategies for the future business development of the Group and determining what changes, if any, would be appropriate or desirable in order to optimise and rationalise the business activities and assets portfolio (in particular, the financial assets) of the Group. The long-term vision of YFHL is to develop the Group into an innovative Internet financial services institution providing comprehensive financial services spanning both domestic and overseas capital markets. Depending on the results of the strategic review and if and when appropriate opportunities arise, it is possible that the Group may develop new businesses or new platforms such as Internet financial services business and private wealth management and may establish presence outside of Hong Kong through acquisitions or otherwise. Accordingly, there may be material changes in the financial or trading position or outlook of the Group after Closing. A summary of the future intentions of YFHL regarding the Group are set out in the section headed “Future intention of YFHL regarding the Group” as set out in the “Letter from the Board” contained in this circular; and

(5) *The material claim set out in the paragraph headed “Material Litigation” above.*

As the claim amount is unspecified which may be material, the material claim is disclosed herein.

(e) **Indebtedness Statement**

As at 30 June 2015, apart from the intra-group liabilities and approximately HK\$121,000 purchase commitment on office equipment, the Group has a total capital commitment of HK\$25,180,000. The details of the capital commitment are set out as below:

- (i) 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 dated 22 August 2014. Reorient Global shall fully pay up the preferred shares in two equal tranches, 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. As of the Latest Practicable Date, Reorient Global has fully paid up the first tranche of the preferred shares and converted into ordinary shares.

- (ii) On 17 February 2015, First Bonus International Limited (“First Bonus”), a wholly-owned subsidiary of Reorient Group Limited, entered into a conditional subscription agreement with EDS Wellness Holdings Limited (“EDS Wellness”). Pursuant to the subscription agreement, First Bonus has agreed to subscribe 13,494,090 new ordinary shares of EDS Wellness at a cash consideration of HK\$5,398,000. Details of the transaction were disclosed in the announcement of EDS Wellness dated 15 April 2015. As of the Latest Practicable Date, the above subscription transaction has not been completed and no shares have been allotted and issued by EDS Wellness to First Bonus.

- (iii) On 14 April 2015, Reorient Global entered into a conditional subscription agreement with 21 Holdings Limited (“21 Holdings”). Pursuant to the subscription agreement, Reorient Global has agreed to subscribe 39,256,662 new ordinary shares of 21 Holdings at HK\$0.4 per share. Details of the transaction were disclosed in the announcement of 21 Holdings dated 13 May 2015. As of the Latest Practicable Date, the above subscription transaction has not been completed and no shares have been allotted and issued by 21 Holdings to Reorient Global.

Other than the aforesaid, the Group has no other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as of 30 June 2015.

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014

The following is the full text of the audited consolidated financial information of the Group for the year ended 31 December 2014 as extracted from the annual report of the Company for the year ended 31 December 2014:

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 income	5	920,486	8,000
		<u>1,056,441</u>	<u>86,967</u>
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><u>758,877</u></u>	<u><u>(87,360)</u></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\$)	11(a)	<u>1.73</u>	<u>(0.22)</u>
Diluted (HK\$)	11(b)	<u>1.73</u>	<u>(0.22)</u>

Consolidated Statement of Comprehensive Income*For the year ended 31 December 2014*

	2014	2013
	<i>HK\$'000</i>	<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><u>758,721</u></u>	<u><u>(87,044)</u></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><u>758,721</u></u>	<u><u>(87,044)</u></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	<i>13</i>	5,289	6,247
Intangible assets	<i>14</i>	550	550
Interests in associates	<i>16</i>	27,311	33,076
Financial assets at fair value through profit or loss	<i>18</i>	556,427	—
Other non-current assets	<i>17</i>	8,856	805
Total non-current assets		598,433	40,678
Current assets			
Financial assets at fair value through profit or loss	<i>18</i>	426,387	13,629
Accounts receivable	<i>19</i>	220,576	69,727
Other receivables, deposits and prepayments	<i>20</i>	16,828	12,451
Bank balance — trust and segregated accounts	<i>21(a)</i>	23,999	22,753
Cash and cash equivalents	<i>21(a)</i>	74,620	111,086
Total current assets		762,410	229,646

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current liabilities			
Accounts payable	22	191,690	82,955
Accrued expenses and other payables	23	147,271	25,820
Amounts due to directors		531	480
Current taxation	25(a)	450	—
Total current liabilities		<u>339,942</u>	<u>109,255</u>
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	26(e)	614,919	498,231
Other reserves		400,015	(343,184)
		1,014,934	155,047
Non-controlling interests		5,967	6,022
TOTAL EQUITY		<u>1,020,901</u>	<u>161,069</u>

Statement of Financial Position*At 31 December 2014*

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	<i>15</i>	<u>419,631</u>	<u>358,931</u>
Total non-current assets		<u>419,631</u>	<u>358,931</u>
Current assets			
Financial assets at fair value through profit or loss	<i>18</i>	63,244	—
Prepayment	<i>20</i>	145	145
Cash and cash equivalents	<i>21(a)</i>	<u>361</u>	<u>421</u>
Total current assets		<u>63,750</u>	<u>566</u>
Current liabilities			
Accrued expenses and other payables	<i>23</i>	36	40
Amounts due to directors		<u>531</u>	<u>480</u>
Total current liabilities		<u>567</u>	<u>520</u>
Net current assets		<u>63,183</u>	<u>46</u>
NET ASSETS		<u>482,814</u>	<u>358,977</u>
EQUITY			
Share capital and other statutory reserves	<i>26(a)</i>	614,416	497,728
Other reserves	<i>26(a)</i>	<u>(131,602)</u>	<u>(138,751)</u>
TOTAL EQUITY		<u>482,814</u>	<u>358,977</u>

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Shares held by award scheme	Share-based payment reserve	Asset revaluation reserve	Exchange reserve	Accumulated (loss)/profit retained	Sub total	Non-controlling interests	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2013	3,845	412,428	—	—	2,650	115	(258,730)	160,308	5,847	166,155
Changes in equity for the year ended 31 December 2013:										
Issue of subscription shares	270	82,080	—	—	—	—	—	82,350	—	82,350
Cost of issuance										
of subscription shares	—	(392)	—	—	—	—	—	(392)	—	(392)
(Loss)/profit for the year	—	—	—	—	—	—	(87,385)	(87,385)	25	(87,360)
Other comprehensive income for the year	—	—	—	—	—	166	—	166	150	316
Balance at 31 December 2013 and 1 January 2014	4,115	494,116	—	—	2,650	281	(346,115)	155,047	6,022	161,069
Changes in equity for the year ended 31 December 2014:										
Shares issued under share swap agreement	26(e)	178	42,554	—	—	—	—	42,732	—	42,732
Transition to no-par value regime on 3 March 2014	26(e)	536,670	(536,670)	—	—	—	—	—	—	—
Issue of subscription shares	26(e)	40,000	—	—	—	—	—	40,000	—	40,000
Cost of issuance										
of subscription shares	26(e)	(99)	—	—	—	—	—	(99)	—	(99)
Shares issued under share option scheme	26(e)	34,055	—	(34,055)	18,478	—	—	18,478	—	18,478
Shares vested under share award scheme	27(b)(ii)	—	—	11,042	(11,042)	—	—	—	—	—
Profit for the year	—	—	—	—	—	—	758,856	758,856	21	758,877
Other comprehensive income for the year	—	—	—	—	—	(80)	—	(80)	(76)	(156)
Balance at 31 December 2014	614,919	—	(23,013)	7,436	2,650	201	412,741	1,014,934	5,967	1,020,901

Consolidated Statement of Cash Flows*For the year ended 31 December 2014*

	<i>Note</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Operating activities			
Net cash used in operating activities	<i>21(b)</i>	(80,418)	(84,112)
Investing activities			
Payment for purchase of interest in an associate		(2,332)	(32,905)
Proceeds from partial disposal of an associate		8,118	—
Payment for purchase of fixed assets	<i>13</i>	(2,625)	(2,735)
Payment for purchase of intangible assets	<i>14</i>	—	(550)
Interest received		1,200	597
Net cash generated from/(used in) investing activities		4,361	(35,593)
Financing activities			
Net proceeds from issuance of subscription shares	<i>26(e)</i>	39,901	81,958
Interest paid		(154)	(754)
Net cash generated from financing activities		39,747	81,204
Net decrease in cash and cash equivalents		(36,310)	(38,501)
Cash and cash equivalents at 1 January		111,086	149,271
Effect of foreign exchange rate changes		(156)	316
Cash and cash equivalents at 31 December	<i>21(a)</i>	74,620	111,086
Cash flow from operating activities includes:			
		2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest received		230	153

Notes to the Financial Statements

1. General information

REORIENT GROUP LIMITED (the “Company”) 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 (collectively the “Group”) and the Group’s interests in associates.

The principal activities of the Group are securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding. The principal activities and other particulars of its principal subsidiaries are set out in note 15 to the financial statements.

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”), and accounting principles generally accepted in Hong Kong. These financial statements also comply with applicable requirements of the Hong Kong Companies Ordinance which for this financial year and the comparative period continue to be those of the predecessor Company Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap.622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that 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. A summary of the significant accounting policies adopted by the Group is set out below.

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.

(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 following assets are stated at their fair value as explained in the accounting policies set out below:

- Financial assets at fair value through profit or loss (*see note 2(j)*)
- Derivative financial instruments (*see note 2(k)*)

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.

(d) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights (held by the group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(f) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Fixed assets

Fixed assets are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Shorter of the unexpired term of lease and 5 years
Office equipment and furniture	5 years
Computers and software	3-5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(i) *Impairment of assets*

(i) *Impairment of investments in subsidiaries, associates, accounts receivable and other receivables*

Investments in subsidiaries, associates, accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount in the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).
- For accounts receivable and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets; and
- intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are measured initially at fair value, which normally will be equal to the transaction price. Transaction costs are expensed immediately.

The Group recognises financial assets at fair value through profit or loss on the date it becomes a party to the contractual provisions of the instrument, using trade date accounting.

Financial assets at fair value through profit or loss comprise financial assets held for trading and those designated as at fair value through profit or loss upon initial recognition, but exclude those investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured.

Financial assets at fair value through profit or loss are carried at fair value. Changes in the fair value are included in the income statement in the period in which they arise. Upon disposal or repurchase, the difference between the net sale proceeds or the net payment and the carrying value is included in the income statement.

The fair value of financial assets at fair value through profit or loss is based on their quoted market prices at the end of reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

If there is no publicly available latest traded price nor a quoted market price on a recognised stock exchange or a price from a broker/dealer for non-exchange-traded financial instruments, or if the market for it is not active, the fair value of the instrument is estimated using valuation techniques that provide a reliable estimate of prices which could be obtained in actual market transactions. The inputs of the valuation techniques are based on market data.

A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or where the financial asset together with substantially all the risks and rewards of ownership, have been transferred.

The Group uses the weighted average method to determine realised gains and losses to be recognised in the income statement on derecognition.

(k) *Derivative financial instruments*

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(l) *Accounts receivable and other receivables*

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) *Intangible assets*

The intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(n) *Accounts payable and other payables*

Accounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks.

(q) *Employee benefits*

- (i) Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as an expense in profit or loss as incurred.
- (iii) The fair value of share awards and share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share awards and options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share awards and share options that are expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share awards and options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profit).

(r) *Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Brokerage commission income

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income

Handling and settlement fee income, placing and underwriting commission income and consultancy and advisory fee income are recognised when the related services are rendered.

(u) *Translation of foreign currencies*

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

Exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains less losses from trading securities or financial instruments designated at fair value through profit or loss.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(v) *Fiduciary activities*

The Group maintains segregated accounts with authorised institutions to hold clients' monies arising from its normal course of the regulated business activities. The Group has classified the bank balances – trust and segregated accounts within the current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients' monies.

The Group is not allowed to use the clients' monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

(w) *Related parties*

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

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

- (ii) An entity is related to the Group if any of the following conditions applies:
- (1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (2) 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).
 - (3) Both entities are joint ventures of the same third party.
 - (4) One entity is a joint venture of a third entity and the other entity is an associate of the third party.
 - (5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (6) The entity is controlled or jointly controlled by a person identified in (i).
 - (7) A person identified in (i)(1) 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 members of the family 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.

(x) ***Segment reporting***

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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

5. Other net income

	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 (note 27)	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>11,076</u>	<u>7,435</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 HK\$'000	2013 HK\$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	450	—
Under/(over)-provision in respect of prior years	—	—
Total tax charge for the year	<u>450</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 profit/(loss) at applicable tax rates:

	2014 HK\$'000	2013 HK\$'000
Profit/(loss) before taxation	<u>759,327</u>	<u>(87,360)</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>450</u>	<u>—</u>

8. Directors' remuneration

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonus	2014 Contributions to Mandatory Provident Fund	Sub-total	Share-based payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(note 4) HK\$'000	HK\$'000
Chairman							
Ko Chun Shun, Johnson	240	—	—	12	252	—	252
Executive directors							
Jason Boyer (note 2)	—	2,800	3,100	17	5,917	—	5,917
Brett McGonegal	—	5,967	2,500	17	8,484	—	8,484
Chen Shengjie	240	—	—	12	252	—	252
Tsoi Tong Hoo, Tony	240	—	—	12	252	—	252
Ko Wing Yan, Samantha	240	—	—	12	252	—	252
Non-executive director							
Dorian M. Barak (note 1)	230	12	—	—	242	—	242
Independent non-executive directors							
Chu Chung Yue, Howard	240	12	—	—	252	—	252
Ding Kebai (note 3)	240	12	—	—	252	—	252
Dr. Wong Yau Kar, David	240	12	—	—	252	—	252
Liu Zhengui	240	12	—	—	252	—	252
Total	<u>2,150</u>	<u>8,827</u>	<u>5,600</u>	<u>82</u>	<u>16,659</u>	<u>—</u>	<u>16,659</u>

Notes:

- 1 Appointed as non-executive director on 16 January 2014.
- 2 Resigned as executive director on 23 January 2015.
- 3 Resigned as independent non-executive director on 23 January 2015.
- 4 All directors are not entitled to share awards or share options as set out in note 1(q)(iii).

	Directors' fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	2013		Share-based payments <i>HK\$'000</i>	Total <i>HK\$'000</i>
				Contributions to Mandatory Provident Fund <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>		
Chairman							
Ko Chun Shun, Johnson	240	—	—	21	261	—	261
Executive directors							
Jason Boyer	—	2,800	8,920	15	11,735	—	11,735
Brett McGonegal	—	3,200	4,620	15	7,835	—	7,835
Chen Shengjie	240	—	—	22	262	—	262
Tsoi Tong Hoo, Tony	240	—	—	21	261	—	261
Ko Wing Yan, Samantha	240	—	—	21	261	—	261
Independent non-executive directors							
Chu Chung Yue, Howard	240	12	—	—	252	—	252
Ding Kebai	240	12	—	—	252	—	252
Dr. Wong Yau Kar, David	240	12	—	—	252	—	252
Liu Zhengui	240	12	—	—	252	—	252
Total	<u>1,920</u>	<u>6,048</u>	<u>13,540</u>	<u>115</u>	<u>21,623</u>	<u>—</u>	<u>21,623</u>

9. Individual with highest emoluments

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	10,858	15,445
Discretionary bonus (<i>note 1</i>)	—	—
Equity-settled share-based payment expenses	15,388	—
Contributions to Mandatory Provident Fund	<u>51</u>	<u>45</u>
	<u>26,297</u>	<u>15,490</u>

Note 1 Bonus accrued in 2014 has not been allocated to individuals except as disclosed in note 8.

The emoluments of the five (2013: five) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2014	2013
HK\$3,500,001 to HK\$4,000,000	—	2
HK\$5,500,001 to HK\$6,000,000	2	—
HK\$7,500,001 to HK\$8,000,000	—	2
HK\$8,000,001 to HK\$8,500,000	2	—
HK\$11,500,001 to HK\$12,000,000	—	1
HK\$12,000,001 to HK\$12,500,000	1	—
	<u>1</u>	<u>—</u>

10. Profit/(loss) attributable to equity shareholders of the Company

The consolidated profit/(loss) attributable to equity shareholders of the Company includes a profit of HK\$22,726,000 (2013: a loss of HK\$172,000) which has been dealt with in the financial statements of the Company.

11. 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 during the year ended 31 December 2014 of 438,209,142 (2013: 399,067,129).

Weighted average number of ordinary shares

	2014	2013
Issued ordinary shares at 1 January	411,494,527	384,494,527
Effect of issue of shares under share swap agreement (<i>note 26(e)(i)</i>)	8,585,511	—
Effect of issue of subscription shares (<i>note 26(e)(ii)</i>)	11,354,378	14,572,602
Effect of vested shares under share option scheme (<i>note 26(e)(iii)</i>)	6,774,726	—
	<u>438,209,142</u>	<u>399,067,129</u>
Weighted average number of ordinary shares at 31 December	<u>438,209,142</u>	<u>399,067,129</u>

(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 during the year ended 31 December 2014 of 438,250,077 (2013: 399,067,129).

Weighted average number of ordinary shares (diluted)

	2014	2013
Weighted average number of ordinary shares at 31 December	438,209,142	399,067,129
Effect of deemed issue of shares under the Company's share option scheme (note 27(a))	40,935	—
Weighted average number of ordinary shares (diluted) at 31 December	438,250,077	399,067,129

12. 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 HK\$'000
	Securities brokerage HK\$'000	Securities placing and underwriting HK\$'000	Consultancy and advisory services HK\$'000	
Revenue from external parties	24,350	3,080	105,710	133,140
Interest income from clients	230	—	—	230
Allocated other operating income	1,385	—	—	1,385
Allocated operating costs	(66,941)	(9,702)	(43,119)	(119,762)
Allocated finance costs	(11)	(1)	—	(12)
	<u>(40,987)</u>	<u>(6,623)</u>	<u>62,591</u>	<u>14,981</u>
Reportable segment (loss)/profit				14,981
Unallocated other operating 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				<u>(168,852)</u>
Profit for the year				<u>758,877</u>
	2013			Total HK\$'000
	Securities brokerage HK'000	Securities placing and underwriting HK\$'000	Consultancy and advisory services HK\$'000	
Revenue from external parties	43,321	14,596	19,446	77,363
Interest income from clients	153	—	—	153
Allocated other operating income	854	—	—	854
Allocated operating costs	(101,171)	(12,512)	(27,464)	(141,147)
Allocated finance costs	(675)	(75)	—	(750)
	<u>(57,518)</u>	<u>2,009</u>	<u>(8,018)</u>	<u>(63,527)</u>
Reportable segment (loss)/profit				(63,527)
Unallocated other operating 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				<u>(23,972)</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.

13. Fixed assets

The Group

	Leasehold improvements <i>HK\$'000</i>	Office equipment and furniture <i>HK\$'000</i>	Computers and software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2013	5,184	2,527	2,995	10,706
Additions	<u>1,618</u>	<u>574</u>	<u>543</u>	<u>2,735</u>
At 31 December 2013	----- 6,802	----- 3,101	----- 3,538	----- 13,441
At 1 January 2014	6,802	3,101	3,538	13,441
Additions	<u>325</u>	<u>1,057</u>	<u>1,243</u>	<u>2,625</u>
At 31 December 2014	----- 7,127	----- 4,158	----- 4,781	----- 16,066
Accumulated depreciation				
At 1 January 2013	2,055	812	942	3,809
Charge for the year	<u>2,113</u>	<u>588</u>	<u>684</u>	<u>3,385</u>
At 31 December 2013	----- 4,168	----- 1,400	----- 1,626	----- 7,194
At 1 January 2014	4,168	1,400	1,626	7,194
Charge for the year	<u>2,034</u>	<u>741</u>	<u>808</u>	<u>3,583</u>
At 31 December 2014	----- 6,202	----- 2,141	----- 2,434	----- 10,777
Net carrying amount				
At 31 December 2014	<u><u>925</u></u>	<u><u>2,017</u></u>	<u><u>2,347</u></u>	<u><u>5,289</u></u>
At 31 December 2013	<u><u>2,634</u></u>	<u><u>1,701</u></u>	<u><u>1,912</u></u>	<u><u>6,247</u></u>

14. Intangible assets

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trading right, at cost/valuation		
At 1 January	6,550	6,000
Additions	<u>—</u>	<u>550</u>
At 31 December	6,550	6,550
Accumulated amortisation and impairment		
At 1 January and 31 December	<u>(6,000)</u>	<u>(6,000)</u>
Carrying amount		
At 31 December	<u><u>550</u></u>	<u><u>550</u></u>

As at 31 December 2014, the Group had three (2013: three) trading rights in The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and one (2013: one) trading right in the Hong Kong Futures Exchange Limited (the “Futures Exchange”), of which two trading rights in the Stock Exchange and one trading right in the Futures Exchange were fully amortised as at 31 December 2010.

15. Interests in subsidiaries

	The Company	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment in shares		
Unlisted shares, at cost	31,929	13,449
Less: allowance for impairment loss	<u>(4,555)</u>	<u>(4,555)</u>
	<u>27,374</u>	<u>8,894</u>
Due from subsidiaries		
Loan to a subsidiary	100,000	100,000
Subordinated loans to a subsidiary	5,818	5,815
Amounts due from subsidiaries	<u>286,439</u>	<u>244,222</u>
	<u>392,257</u>	<u>350,037</u>
Interests in subsidiaries	<u><u>419,631</u></u>	<u><u>358,931</u></u>

(a) Amounts due from subsidiaries

As at 31 December 2014 and 2013, the amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The amounts are not required to be repaid within one year.

The two subordinated loans to a subsidiary of HK\$2,327,000 and HK\$3,491,000 respectively as at 31 December 2014 (2013: HK\$2,326,000 and HK\$3,489,000) were unsecured and bore interest at a rate of 5% per annum. These subordinated loans are repayable on 8 April 2016 and 20 May 2016 respectively.

A loan to a subsidiary of HK\$100,000,000 as at 31 December 2014 and 2013 was unsecured, bore interest at a rate of 5% per annum and has no fixed term of repayment. The loan is not required to be repaid within one year. The carrying amount approximates its fair value as at the reporting date.

(b) Details of the subsidiaries principally affected the results and assets of the Group

Name of company	Place of incorporation and business	Particular of issued and fully paid-up capital (<i>note</i>)	Group's effective interest	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
REORIENT Financial Markets Limited	Hong Kong	125,000,000 shares	100%	—	100%	Securities broking, securities placing and underwriting, and provision of consultancy and advisory services
REORIENT Financial Markets (USA) LLC	USA	550,000 shares of US\$1 each	100%	—	100%	Securities broking
REORIENT Capital Markets Limited	Hong Kong	5,000,000 shares	100%	—	100%	Securities broking
REORIENT Finance Limited	Hong Kong	1 share	100%	100%	—	Money lending
REORIENT Global Limited	Hong Kong	1 share	100%	100%	—	Provision of administrative services
Fast Capital Holdings Limited	Hong Kong	10,000 shares	100%	—	100%	Investment holding
REORIENT Holdings Limited	Hong Kong	1 share	100%	100%	—	Investment holding
Mansion House Financial Holdings Limited	British Virgin Islands	955,000 shares of US\$1 each	100%	100%	—	Investment holding and provision of administrative services

Name of company	Place of incorporation and business	Particular of issued and fully paid-up capital (<i>note</i>)	Group's effective interest	Proportion of ownership interest		Principal activities
				Held by the Company	Held by a subsidiary	
Wise Points Holdings Limited	British Virgin Islands	1 share of US\$1 each	100%	100%	—	Investment holding
Profit Trigger Limited	British Virgin Islands	1 share of US\$1 each	100%	100%	—	Holding of brands and trademarks
REORIENT Asset Management Limited	British Virgin Islands	1 share of US\$1 each	100%	—	100%	Investment holding
Beijing Chengtong REORIENT Investment Consultancy Limited (北京誠通瑞東投資顧問有限公司)	PRC	10,000,000 shares of RMB 1 each	51%	—	51%	Investment management, consulting and advisory services
Beijing REORIENT Universal Investment Consultancy Limited (北京瑞東環球投資諮詢有限公司)	PRC	1,000,000 shares of RMB 1 each	100%	—	100%	Investment consulting and advisory services
REORIENT Share Award Scheme Nominee Limited	Hong Kong	1,000 shares	100%	100%	—	Administering and holding the Company's shares for the Share Award Scheme
Boost Bonus Asia Limited	British Virgin Islands	1 share of US\$1 each	100%	—	100%	Investment holding

Note:

The class of shares held is ordinary shares unless otherwise stated.

(c) Information about material non-controlling interest

The following table lists out the information relating to Beijing Chengtong Reorient Investment Consultancy Limited, the only subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
NCI percentage	49%	49%
Current assets	12,339	12,341
Non-current assets	8	20
Current liabilities	(133)	(36)
Non-current liabilities	—	—
Net assets	12,214	12,325
Carrying amount of NCI	5,967	6,022
Revenue	183	367
Profit for the year	42	53
Total comprehensive income	(112)	358
Profit allocated to NCI	21	25
Dividend paid to NCI	—	—
Cash flows from operating activities	(2,177)	(5,755)
Cash flows from investing activities	857	513
Cash flows from financing activities	—	—

16. Interests in associates

	The Group		The Company	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying value, net	<u>27,311</u>	<u>33,076</u>	<u>—</u>	<u>—</u>

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 (<i>note i</i>)
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 (<i>note ii</i>)

Note:

- (i) EQ Partners Co. Ltd. is a private equity investment firm based in Seoul, specializing in infrastructure and utility sectors and growth equity investments in Korea and other countries. This investment enables the Group to expand its network of potential clients, investors and investees.
- (ii) ReOil, LLC is a specialist technical and management service provider to clients interested in oil and natural gas assets in the United States. This investment enables the Group to have more investment opportunities for existing and potential investors in this oil and natural gas sector.

The above associates are accounted for using the equity method in the consolidated financial statements. Both of them are unlisted corporate entities whose quoted market price is not available.

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.

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.

APPENDIX I**FINANCIAL INFORMATION OF THE GROUP**

Summarised financial information of a material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<i>Gross amounts of the associate</i>		
Current assets	35,225	57,180
Non-current assets	70,403	52,445
Current liabilities	(2,029)	(3,829)
Non-current liabilities	(934)	(708)
Equity	102,665	105,088
Revenue	31,619	46,756
Profit from continuing operations	1,686	10,724
<i>Reconciled to the group's interest in the associate</i>		
Gross amounts of net assets of the associate	102,665	105,088
Group's effective interest	19.75%	25%
Group's share of net assets of the associate	20,276	26,272
Goodwill	6,160	6,804
Exchange difference	5	—
	<u>26,441</u>	<u>33,076</u>
Carrying amount in the consolidated financial statements	<u>26,441</u>	<u>33,076</u>

Summarised financial information of an associate that is not material:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Aggregate carrying amount of individually immaterial associate in the consolidated financial statements	870	—
Aggregate amounts of the group's share of associate's loss from continuing operations	(1,462)	—

17. Other non-current assets

	The Group	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Statutory deposits with exchanges and clearing house	455	805
Other receivable	8,401	—
	<u>8,856</u>	<u>805</u>

Other receivable is secured by unlisted equity instrument.

18. Financial assets at fair value through profit or loss

	The Group		The Company	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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	556,427	—	—	—
<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	—	63,244	—
— Equity investment listed outside Hong Kong	204	—	—	—
Held for trading				
— Options	12,272	13,629	—	—
	<u>426,387</u>	<u>13,629</u>	<u>63,244</u>	<u>—</u>

19. Accounts receivable

	The Group	
	2014	2013
	<i>HK\$'000</i>	<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	1,402	54,734
	<u>195,322</u>	<u>94,952</u>
Accounts receivable arising from consultancy and advisory services		
— Corporate clients	53,535	1,381
	<u>248,857</u>	<u>96,333</u>
<i>Less: allowance for doubtful debts</i>	<u>(28,281)</u>	<u>(26,606)</u>
	<u><u>220,576</u></u>	<u><u>69,727</u></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:

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

	The Group	
	2014	2013
	<i>HK\$'000</i>	<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)	—
	<u>28,281</u>	<u>26,606</u>
At 31 December	<u>28,281</u>	<u>26,606</u>

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.

(d) Balance with related parties

As at 31 December 2014, included in the accounts receivable from corporate clients are amounts of (i) HK\$1,563,000 (2013: nil) receivable from Frontier Services Group Limited (“Frontier Services”) where our chairman Mr. Ko Chun Shun, Johnson (“Mr. Ko”) is a substantial shareholder and executive director of this company; and (ii) HK\$11,789,000 (2013: nil) receivable from KuangChi Science Limited (“KuangChi”) where Mr. Ko is an executive director of this company.

20. Other receivables, deposits and prepayments

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental and utility deposits	1,479	1,475	—	—
Prepayments and other deposits	4,890	5,301	145	145
Other receivables	10,459	5,675	—	—
	<u>16,828</u>	<u>12,451</u>	<u>145</u>	<u>145</u>

The fair values of other receivables, deposits and prepayments approximate their carrying amounts. The above balances are expected to be recovered within one year.

21. Cash and cash equivalents*(a) Cash and cash equivalents comprise:*

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deposits with bank	20,000	20,000	—	—
Cash at bank and in hand	54,620	91,086	361	421
	<u>74,620</u>	<u>111,086</u>	<u>361</u>	<u>421</u>

As at 31 December 2014, included in the deposits with bank amounted HK\$20,000,000 (2013: HK\$20,000,000) are pledged for a bank overdraft facility.

The Group maintains segregated accounts with authorised institutions to hold clients’ monies arising from its normal course of business of the regulated activities. The Group has classified the bank balances – trust and segregated accounts under current assets in the consolidated statement of financial position and recognised the corresponding account payables to respective clients and other institutions on the grounds that it is liable for any loss or misappropriation of clients’ monies. The Group is not allowed to use the clients’ monies to settle its own obligations. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance. As at 31 December 2014, client money maintained in segregated accounts amounted to HK\$23,999,000 (2013: HK\$22,753,000).

(b) Reconciliation of profit/(loss) before taxation to cash used in operating activities:

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) before taxation	759,327	(87,360)
Adjustments for:		
Share of results of associates	1,193	(171)
Gain on partial disposal of an associate	(1,214)	—
Depreciation	3,583	3,385
Finance costs	154	754
Interest income	(1,200)	(597)
Impairment loss on accounts receivable	2,095	40
Recovery of impairment loss on accounts receivable	(16)	(2)
Equity-settled share-based payment expenses	18,478	—
	782,400	(83,951)
Changes in working capital:		
Increase in other non-current assets	(8,051)	(70)
Increase in financial assets at fair value through profit or loss	(926,453)	(13,629)
(Increase)/decrease in accounts receivable	(152,928)	128,749
(Increase)/decrease in other receivables, deposits and prepayments	(4,377)	2,206
(Increase)/decrease in bank balances – trust and segregated accounts	(1,246)	18,960
Increase/(decrease) in accounts payable	108,735	(152,716)
Increase in accrued expenses and other payables	121,451	16,363
Increase/(decrease) in amounts due to directors	51	(24)
Net cash used in operating activities	<u>(80,418)</u>	<u>(84,112)</u>

22. Accounts payable

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

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.

23. Accrued expenses and other payables

	The Group		The Company	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued staff costs	141,168	21,365	36	24
Stamp duty, trading levy and trading fee payables	119	295	—	—
Other payables	5,984	4,160	—	16
	<u>147,271</u>	<u>25,820</u>	<u>36</u>	<u>40</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.

24. Employee retirement benefits — defined contribution retirement plan

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000 (HK\$25,000 prior to June 2014). Contributions to the plan vest immediately.

25. Income tax in the statement of financial position

(a) Current taxation in the statement of financial position represents:

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Provision for Hong Kong				
Profits Tax for the year	450	—	—	—
Provisional Profits Tax paid	—	—	—	—
	<u>450</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax liabilities/(assets) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax depreciation	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities/(assets) arising from:			
At 1 January 2013	954	(954)	—
(Credited)/charged to profit or loss	<u>(176)</u>	<u>176</u>	<u>—</u>
At 31 December 2013	<u>778</u>	<u>(778)</u>	<u>—</u>
At 1 January 2014	778	(778)	—
(Credited)/charged to profit or loss	<u>(276)</u>	<u>276</u>	<u>—</u>
At 31 December 2014	<u>502</u>	<u>(502)</u>	<u>—</u>

At 31 December 2014, no deferred tax asset has been recognised in respect of the tax losses of HK\$139 million (2013: HK\$347 million) to the extent that it is not probable that future taxable profit against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

26. Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity on page 35. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Shares held by share award scheme <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Accumulated (losses)/ retained profit <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	3,845	411,925	—	—	(138,579)	277,191
Issue of subscription shares	270	82,080	—	—	—	82,350
Cost of issuance of subscription shares	—	(392)	—	—	—	(392)
Total comprehensive income for the year	—	—	—	—	(172)	(172)
At 31 December 2013 and 1 January 2014	4,115	493,613	—	—	(138,751)	358,977
Shares issued under share swap agreement	178	42,554	—	—	—	42,732
Transition to no-par value regime on 3 March 2014	536,167	(536,167)	—	—	—	—
Issue of subscription shares	40,000	—	—	—	—	40,000
Cost of issuance of subscription shares	(99)	—	—	—	—	(99)
Shares issued under share option scheme	34,055	—	(34,055)	18,478	—	18,478
Shares vested under share award scheme	—	—	11,042	(11,042)	—	—
Total comprehensive income for the year	—	—	—	—	22,726	22,726
At 31 December 2014	<u>614,416</u>	<u>—</u>	<u>(23,013)</u>	<u>7,436</u>	<u>(116,025)</u>	<u>482,814</u>

(b) Nature and purpose of reserves

(i) Share premium reserve

Prior to 3 March 2014, the application of the share premium account and the capital redemption reserve was governed by sections 48B and 49H respectively of the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the company's share capital (see note 26(e)). The use of share capital as from 3 March 2014 is governed by the new Hong Kong Companies Ordinance (Cap. 622).

(ii) Shares held by share award scheme and share-based payment reserve

The Company's shares held by Reorient Share Award Scheme Nominee Limited for the share award scheme are presented as a deduction in equity as shares held for share award scheme.

Share-based payment reserve represents the grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments.

(iii) Asset revaluation reserve

The asset revaluation reserve arose on the revaluation of the trading rights in the exchanges in Hong Kong in prior years. The carrying value of the trading rights have been fully amortised in previous years. The remaining revaluation reserve will be realized when the Group dispose of the trading rights.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(u).

(c) Distributability of reserves

As at 31 December 2014, the Company did not have any reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Part 6 of the new Hong Kong Companies Ordinance (Cap. 622) (2013: nil).

(d) Dividends

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

(e) 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	HK\$'000	Number of shares	HK\$'000
Authorised ordinary shares of HK\$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	—	—
Issue of subscription shares less costs of issuance of subscriptions shares	17,021,277	39,901	27,000,000	270
Shares issued under share option scheme	<u>9,330,239</u>	<u>34,055</u>	<u>—</u>	<u>—</u>
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.

(i) Issue of shares under share swap agreement

On 14 January 2014, the Company allotted and issued 17,805,178 new shares of the Company to 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. It is a non-cash transaction.

(ii) *Issue of subscription shares*

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.

(iii) *Issue of shares under share option scheme*

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”) to subscribe for the same number of ordinary shares of the Company. On 23 January 2015, 9,330,239 share options were exercised. Details of the share option scheme were disclosed in the Company’s announcement dated 30 October 2014.

(f) *Capital management*

Capital comprises of share capital and reserves stated on the Group’s and the Company’s statement of financial position. The Group’s primary objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity analyses. Neither the Company nor its subsidiaries, except for Reorient Financial Markets Limited (“RFM”) and Reorient Capital Markets Limited (“RCM”), is subject to externally imposed capital requirements. RFM and RCM are regulated by the Securities and Futures Commission (“SFC”) and are required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors RFM and RCM’s liquid capital daily to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules (“FRR”) adopted by SFC. Under the FRR, RFM and RCM must maintain its liquid capital in excess of HK\$3 million or 5% of their total adjusted liabilities whichever is higher. The required information was filed with SFC on a monthly basis. RFM and RCM were in compliance with the capital requirements imposed by FRR during the current and prior years except RFM have breached the capital requirement for certain days from 1 January 2014 to 31 March 2014 and 30 September 2014 to 6 October 2014. RFM has reported to SFC about the incidents.

27. Employee share-based arrangements

(a) Share option scheme

The Company has a share option scheme which was adopted on 21 July 2011 whereby the directors of the Company are authorised, at their discretion, to invite eligible participant (employee, director, consultant of each member of the Group) to take up options to subscribe for shares of the Company. The Company has issued in total 10,495,412 share options. 9,330,239 options are immediately exercised at fair value of HK\$3.65.

The exercise price of the remaining 1,165,173 share options granted was HK\$3.65 with an exercise period of three years from the date of grant. Each option gives the holder the right to subscribe for one ordinary share of the Company.

(i) The number and weighted average exercise prices of share options are as follows:

	2014		2013	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	3.65	10,495,412	—	—
Exercised during the year	3.65	(9,330,239)	—	—
Outstanding at the end of the year	<u>3.65</u>	<u>1,165,173</u>	<u>—</u>	<u>—</u>
Exercisable at the end of the year	<u>3.65</u>	<u>1,165,173</u>	<u>—</u>	<u>—</u>

(ii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options is measured based on the Black-Scholes Option-Pricing model. The contractual life of the share option is used as an input into this model.

Fair value of share options and assumptions

	2014	2013
Fair value at measurement date	HK\$1.45	—
Share price	HK\$3.73	—
Exercise price	HK\$3.65	—
Expected volatility	56.73%	—
Option life	3 years	—
Risk-free interest rate (based on Exchange Fund Notes)	<u>0.66%</u>	<u>—</u>

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

(b) Share award scheme

On 17 October 2014, the board of directors approved the adoption of the share award scheme. The purpose of the share award scheme is to (i) encourage or facilitate the holding of shares by the selected participants; (ii) encourage and retain such individuals to work with the Company and the Group and (iii) provide additional incentive for them to achieve performance goals, and the share award scheme took effect on 30 October 2014.

The awarded shares are awarded by issuing new ordinary shares. Before vesting, the awarded shares are held in a trust set up by the scheme.

The fair value of the awarded shares at the date of the grant is charged to staff costs and related expenses over the projected vesting period being the period for which the services from the employees are rendered with a corresponding credit to employee share-based payment reserve.

Upon vesting and transfer to the awardees, the related costs of the shares are credited to share held for share award scheme, and the related fair value of the shares are debited to share-based payment reserve.

(i) Details of the awarded shares awarded during 2014

Date of approval by Board	Date of award	Awarded Sum HK\$ '000	Number of shares issued	Number of awarded shares	Average fair value per share HK\$	Vesting period
30 Oct 2014	31 Oct 2014	11,042	3,025,206	3,025,206	3.65	31 Oct 2014 – 31 Dec 2014
30 Oct 2014	31 Oct 2014	904	247,660	247,660	3.65	31 Oct 2014 – 01 Feb 2015
30 Oct 2014	31 Oct 2014	1,298	355,667	355,667	3.65	31 Oct 2014 – 18 Feb 2015
30 Oct 2014	31 Oct 2014	1,620	443,791	443,791	3.65	31 Oct 2014 – 26 Feb 2015
30 Oct 2014	31 Oct 2014	2,732	748,345	748,345	3.65	31 Oct 2014 – 20 Mar 2015
30 Oct 2014	31 Oct 2014	562	153,968	153,968	3.65	31 Oct 2014 – 14 Aug 2015
30 Oct 2014	31 Oct 2014	3,650	1,000,000	1,000,000	3.65	31 Oct 2014 – 16 Sep 2015
30 Oct 2014	31 Oct 2014	2,835	776,666	776,666	3.65	31 Oct 2014 – 30 Oct 2015
30 Oct 2014	31 Oct 2014	1,371	375,629	375,629	3.65	31 Oct 2014 – 14 Dec 2015
30 Oct 2014	31 Oct 2014	904	247,660	247,660	3.65	31 Oct 2014 – 02 Jan 2016
30 Oct 2014	31 Oct 2014	2,731	748,345	748,345	3.65	31 Oct 2014 – 20 Mar 2016
30 Oct 2014	31 Oct 2014	562	153,968	153,968	3.65	31 Oct 2014 – 14 Aug 2016
30 Oct 2014	31 Oct 2014	3,650	1,000,000	1,000,000	3.65	31 Oct 2014 – 16 Sep 2016
30 Oct 2014	31 Oct 2014	97	26,667	26,667	3.65	31 Oct 2014 – 29 Oct 2016
30 Oct 2014	31 Oct 2014	97	26,667	26,667	3.65	31 Oct 2014 – 29 Oct 2017

(ii) Details of the awarded shares vested during 2014

Date of award	Average fair value per share HK\$	2014		2013	
		Number of awarded shares vested	Fair value of related awarded shares HK\$'000	Number of awarded shares vested	Fair value of related awarded shares HK\$'000
		05 Nov 2014	3.65	2,650,702	9,675
14 Dec 2014	3.65	374,504	1,367	—	—
		<u>3,025,206</u>	<u>11,042</u>	<u>—</u>	<u>—</u>

(iii) Movements in the number of awarded shares awarded

	2014 Number of awarded shares	2013 Number of awarded shares
Outstanding at 1 January	—	—
Awarded	9,330,239	—
Vested	<u>(3,025,206)</u>	<u>—</u>
Outstanding at 31 December	<u>6,305,033</u>	<u>—</u>

28. Commitments

(a) Operating lease commitments

As lessee

As at 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	8,051	5,077
After one year but within five years	<u>25,169</u>	<u>1,018</u>
	<u>33,220</u>	<u>6,095</u>

The Group leases a number of offices under operating leases. The leases run for an initial period of one to five years. None of the leases includes contingent rentals.

(b) *Capital commitments*

- (i) 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, the amount shall be payable upon receipt of written notice from ReOil, LLC and in six equal instalments.

During the year, Reorient Investments has purchased 500 additional Series B Units from ReOil, LLC for a cash consideration of USD500,000. As of 31 December 2014, Reorient Investments had a commitment to purchase 100 Series B Units.

- (ii) 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 dated 22 August 2014. Reorient Global shall fully pay up the preferred shares in two equal tranches, 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.
- (iii) 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 transaction has not been completed.

29. Financial risk management and fair value of financial instrument

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group’s business. The Group’s exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Credit risk*

The Group’s credit risk is primarily attributable to accounts and other receivables and bank balances (segregated and general accounts). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of accounts and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer’s past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0% (2013: 6%) and 7% (2013: 6%) of the total accounts and other receivables was due from the Group's largest customer and the five largest customers respectively.

Bank balances (segregated and general accounts) are placed with high-credit-quality institutions and management considers that the credit risk for such is minimal.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from accounts receivable are set out in note 19.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, and to ensure compliance with FRR. The Group's policy is to regularly monitor its liquidity requirement and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company, as applicable, can be required to pay:

The Group

	Contractual undiscounted cash outflow		Carrying amount at 31 December HK\$ '000
	Within 1 year or on demand HK\$ '000	Total HK\$ '000	
As at 31 December 2014			
Accounts payable	191,690	191,690	191,690
Accrued expenses and other payables	147,271	147,271	147,271
Amounts due to directors	531	531	531
	<u>339,492</u>	<u>339,492</u>	<u>339,492</u>

	Contractual undiscounted cash outflow		Carrying amount at 31 December
	Within 1 year or on demand	Total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
As at 31 December 2013			
Accounts payable	82,955	82,955	82,955
Accrued expenses and other payables	25,820	25,820	25,820
Amounts due to directors	480	480	480
	<u>109,255</u>	<u>109,255</u>	<u>109,255</u>

The Company

	Contractual undiscounted cash outflow		Carrying amount at 31 December
	Within 1 year or on demand	Total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
As at 31 December 2014			
Accrued expenses and other payables	36	36	36
Amounts due to directors	531	531	531
	<u>567</u>	<u>567</u>	<u>567</u>

	Contractual undiscounted cash outflow		Carrying amount at 31 December
	Within 1 year or on demand	Total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
As at 31 December 2013			
Accrued expenses and other payables	40	40	40
Amounts due to directors	480	480	480
	<u>520</u>	<u>520</u>	<u>520</u>

(c) Interest rate risk

The Group's exposure to cashflow interest rate risk is mainly attributable to its bank balances (trust, segregated and general accounts). The Group's fair value interest rate risk relates primarily to fixed-rate overdue accounts receivable and fixed deposits held under bank balance – trust and segregated accounts.

The Group currently does not have any interest rate hedging policy. The management monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

(i) Interest rate profile

The following table details the interest rate profile of the Group at the end of the reporting period.

The Group

	2014		2013	
	Effective interest rate %	Amount HK'000	Effective interest rate %	Amount HK\$'000
Assets				
General account bank balance	0.001 — 0.01	48,831	0.001 — 0.01	48,709
Trust account bank balance	0.001 — 0.01	968	0.001 — 0.01	583
		49,799		49,292
		49,799		49,292

(ii) Sensitivity analysis

	2014	2013
Assume interest rate increased by	1%	1%
Effect on profit after tax (HK\$'000)	416	412

The sensitivity analysis above has been determined assuming that the increase in interest rates had occurred at the end of the reporting period and has been applied to the Group's exposure to interest rate risk for financial instruments in existence at that date. A 100 basis points (2013: 100 basis points) increase in interest rates represents management's assessment of a reasonably possible change in interest rates. The management considers the effect of decrease in interest rates is not significant to the Company.

(d) Foreign currency risk

The Group is exposed to currency risk primarily arising from financial instruments that are denominated in United States dollars (“USD”), Korean Won (“KRW”), Renminbi (“RMB”) and Japanese Yen (“JPY”). As the Hong Kong dollar is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. 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 USD, such as KRW, JPY and RMB. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group’s exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the Group’s functional currency of Hong Kong dollars. For presentation purposes, the amounts of the exposure are expressed in Hong Kong dollars.

The Group

	2014							
	United States Dollars HK\$'000	Japanese Yen HK\$'000	China Renminbi HK\$'000	Korean Won HK\$'000	Australian Dollars HK\$'000	United Kingdom Sterling HK\$'000	Singapore Dollars HK\$'000	Canadian Dollars HK\$'000
Interest in associates	870	—	—	26,441	—	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—	204	—	—	—
Accounts and other receivables	1	162,146	—	—	727	2	1	5
Bank balance — trust and segregated accounts	992	—	1	—	146	56	7	19
Cash and cash equivalents	11,704	—	10,281	—	687	39	227	48
Accounts and other payables	(992)	(161,918)	(1)	—	(135)	(56)	(7)	(19)
Net exposure to currency risk	<u>12,575</u>	<u>228</u>	<u>10,281</u>	<u>26,441</u>	<u>1,629</u>	<u>41</u>	<u>228</u>	<u>53</u>
	2013							
	United States Dollars HK\$'000	Japanese Yen HK\$'000	China Renminbi HK\$'000	Korean Won HK\$'000	Australian Dollars HK\$'000	United Kingdom Sterling HK\$'000	Singapore Dollars HK\$'000	Canadian Dollars HK\$'000
Interest in an associate	—	—	—	33,076	—	—	—	—
Accounts and other receivables	12	—	—	—	—	2	234	—
Bank balance — trust and segregated accounts	901	—	—	—	601	78	22	17
Cash and cash equivalents	9,971	121	11,980	—	298	152	244	52
Accounts and other payables	(901)	—	—	—	(601)	(78)	(255)	(17)
Net exposure to currency risk	<u>9,983</u>	<u>121</u>	<u>11,980</u>	<u>33,076</u>	<u>298</u>	<u>154</u>	<u>245</u>	<u>52</u>

(ii) Sensitivity analysis

The Group's significant net exposure to Renminbi and Korean Won at the reporting date and the estimated impact to the Group's profit/(loss) for the year had the foreign exchange rates of Renminbi and Korean Won changed at that date are illustrated below. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

The Group

	2014			2013		
	Net assets in foreign currency <i>HK\$'000</i>	Appreciation/ (depreciation) in foreign currency %	Effect on profit after tax and retained profits <i>HK\$'000</i>	Net assets in foreign currency <i>HK\$'000</i>	Appreciation/ (depreciation) in foreign currency %	Effect on loss after tax and retained profits <i>HK\$'000</i>
Renminbi	10,281	10 (10)	858 (858)	11,980	10 (10)	1,000 (1,000)
Korean Won	26,441	10 (10)	2,208 (2,208)	33,076	10 (10)	2,762 (2,762)

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments which expose the Group to foreign currency risk at the reporting period. The analysis is performed on the same basis for 2013.

(e) 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 (see note 18) held by the Group. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are dealt with in consolidated income statement. The performance is monitored regularly, together with an assessment of its relevance to the Group's strategic plans.

The underlying equity securities of the Group's unlisted derivative are listed on The Stock Exchange of Hong Kong Limited. At 31 December 2014, it is estimated that an increase/decrease of 5% in the relevant stock, with all other variables held constant, would have increased/decreased the group's profit after tax (and retained earnings) as follows:

The Group

	2014		2013	
		Effect on profit after tax and retained profit		Effect on profit after tax and retained profit
Change in the relevant equity price risk variable:	%	HK\$'000	%	HK\$'000
Increase	5	46,243	5	952
Decrease	(5)	(46,451)	(5)	(932)

(f) Fair value measurement

Financial instrument measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instrument measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The table below analyses financial instrument carried at fair value, by valuation method:

The Group

	Fair value measurements as at 31 December 2014		Fair value measurements as at 31 December 2013	
	categorised into		categorised into	
	Level 1 HK\$'000	Level 2 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000
Recurring fair value measurement				
Investment designated as at fair value through profit or loss:				
Trading securities:				
— Listed	414,115	—	—	—
Derivative financial instruments:				
— Unlisted convertible preferred shares	—	556,427	—	—
Held for trading:				
— Unlisted share options	—	12,272	—	13,629
	<u>414,115</u>	<u>568,699</u>	<u>—</u>	<u>13,629</u>

During the years ended 31 December 2014 and 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) *Valuation techniques and inputs used in Level 2 fair value measurements*

The Group determines the fair value of share option by applying an option valuation model technique such as the Black-Scholes Option-Pricing model. The Group determines the fair value of convertible preferred shares by applying discounted cash flow method. Inputs are based on market related data at the balance sheet date.

(g) *Offsetting financial assets and financial liabilities*(i) *Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements*

As at 31 December 2014					
Type of financial assets	Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK\$'000	Net amount of financial assets presented in the consolidated statement of financial position HK\$'000	Cash collateral received	Net amount
				HK\$'000	HK\$'000
Accounts receivable due from clearing house	4,752	(3,719)	1,033	—	1,033

As at 31 December 2013					
Type of financial assets	Gross amount of recognised financial assets HK\$'000	Gross amount of recognised financial liabilities offset in the consolidated statement of financial position HK\$'000	Net amount of financial assets presented in the consolidated statement of financial position HK\$'000	Cash collateral received	Net amount
				HK\$'000	HK\$'000
Accounts receivable due from clearing house	60,311	(11,129)	49,182	—	49,182

(ii) *Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements*

As at 31 December 2014					
Type of financial liabilities	Gross amount of recognised financial liabilities <i>HK\$'000</i>	Gross amount of recognised financial assets offset in the consolidated statement of financial position <i>HK\$'000</i>	Net amount of financial liabilities presented in the consolidated statement of financial position <i>HK\$'000</i>	Collateral pledged	Net amount
				<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable due to clearing house	3,719	(3,719)	—	—	—

As at 31 December 2013					
Type of financial liabilities	Gross amount of recognised financial liabilities <i>HK\$'000</i>	Gross amount of recognised financial assets offset in the consolidated statement of financial position <i>HK\$'000</i>	Net amount of financial liabilities presented in the consolidated statement of financial position <i>HK\$'000</i>	Collateral pledged	Net amount
				<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable due to clearing house	11,129	(11,129)	—	—	—

(iii) The tables below reconcile the “net amounts of financial assets and financial liabilities presented in the consolidated statement of financial position”, as set out above, to the accounts receivable and accounts payable presented in the consolidated statement of financial position.

	2014 HK\$'000	2013 HK\$'000
Net amount of financial assets after offsetting as stated above	1,033	49,182
Financial assets not in scope of offsetting disclosure	247,824	47,151
Impairment losses	(28,281)	(26,606)
	<u>220,576</u>	<u>69,727</u>
Net amount of financial liabilities after offsetting as stated above	—	—
Financial liabilities not in scope of offsetting disclosure	191,690	82,955
	<u>191,690</u>	<u>82,955</u>

30. Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2014 and 2013.

31. Material related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2014 HK\$'000	2013 HK\$'000
Short-term benefits	58,946	48,277
Post-employment benefits	201	238
	<u>59,147</u>	<u>48,515</u>

Total remuneration is included in “staff costs” (see note 6(a)).

(b) Other transactions with related parties

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Placing commission <i>(note (i))</i>	75	13,465
Consultancy fee income	—	5,629
Advisory fee income <i>(note (ii))</i>	47,410	965
	<u>47,485</u>	<u>20,059</u>

Note:

- (i) On 26 June 2014, Gainhigh Holdings Limited placed existing shares of the Company at a price of HK\$2.35 per share. RFM acting as the broker of Gainhigh, received a commission income at a rate of 0.25% of the placing consideration from one of the purchasers, China Jiu hao Health Industry Corporation Limited (“China Jiu hao Health”) where one of our independent non-executive directors, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director of this company. The placement was completed on 2 July 2014.
- (ii) During the year 2014, the Group provided advisory services to (i) China WindPower Group Limited and Frontier Services Group Limited where our chairman Mr. Ko was a substantial shareholder and executive director in these companies; (ii) KuangChi Science Limited where our chairman Mr. Ko is an executive director of this company; (iii) China Jiu hao Health where one of our independent non-executive directors, Dr. Wong Yau Kar, David, BBS, JP, is an independent non-executive director of this company; and (iv) Brockman Mining Limited where one of our independent non-executive directors, Mr. Liu Zhengui, is a non-executive director of this company.

32. Immediate and ultimate holding company

The directors consider the immediate parent and ultimate holding company of the Company as at 31 December 2014 to be Gainhigh Holdings Limited which is incorporated in the British Virgin Islands and beneficially owned by Mr. Ko. Gainhigh Holdings Limited does not produce financial statements available for public use.

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKAS 19, Employee benefits	1 July 2014
Annual Improvements to HKFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to HKFRSs 2011 – 2013 Cycle	1 July 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38, Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15, Revenue from contracts with customers	1 January 2017
HKFRS 9, Financial instruments	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, “Accounts and Audit”, of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company’s first financial year commencing after 3 March 2014 (i.e. the company’s financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to the Investors, Jade Passion and Gold Ocean) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than that relating to the Investors, Jade Passion and Gold Ocean) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the YFHL and parties acting in concert with YFHL contained in this circular has been supplied by the sole director of YFHL. The sole director of YFHL accepts full responsibility for the accuracy of the information contained in this circular (other than relating to the Group, Harbour Yields, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, Harbour Yields, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Jade Passion and parties acting in concert with Jade Passion contained in this circular has been supplied by the directors of Jade Passion. The directors of Jade Passion accepts full responsibility for the accuracy of the information (other than relating to the Group, YFHL, Harbour Yields, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating the Group, YFHL, Harbour Yields, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Harbour Yields and parties acting in concert with Harbour Yields contained in this circular has been supplied by the sole director of Harbour Yields. The sole director of Harbour Yields accepts full responsibility for the accuracy of the information (other than relating to the Group, YFHL, Jade Passion, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, YFHL, Jade Passion, Violet Passion, Gentle Bright, Chosen Global and Gold Ocean) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Violet Passion and parties acting in concert with Violet Passion contained in this circular has been supplied by the sole director of Violet Passion. The sole director of Violet Passion accepts full responsibility for the accuracy of the information (other than relating to the Group, YFHL, Jade Passion, Gentle Bright, Chosen Global, Gold Ocean and Harbour Yields) contained in this circular and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, YFHL, Jade Passion, Gentle Bright, Chosen Global, Gold Ocean and Harbour Yields) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Gentle Bright and parties acting in concert with Gentle Bright contained in this circular has been supplied by the sole director of Gentle Bright. The sole director of Gentle Bright accepts full responsibility for the accuracy of the information contained in this circular (other than relating to the Group, YFHL, Jade Passion, Chosen Global, Gold Ocean, Violet Passion and Harbour Yields) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, YFHL, Jade Passion, Chosen Global, Gold Ocean, Violet Passion and Harbour Yields) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Chosen Global and parties acting in concert with Chosen Global contained in this circular has been supplied by the sole director of Chosen Global. The sole director of Chosen Global accepts full responsibility for the accuracy of the information contained in this circular (other than relating to the Group, YFHL, Jade Passion, Harbour Yields, Violet Passion, Gentle Bright and Gold Ocean) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, YFHL, Jade Passion, Harbour Yields, Violet Passion, Gentle Bright and Gold Ocean) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Gold Ocean and parties acting in concert with Gold Ocean contained in this circular has been supplied by the sole director of Gold Ocean. The sole director of Gold Ocean accepts full responsibility for the accuracy of the information contained in this circular (other than relating to the Group, YFHL, Jade Passion, Harbour Yields, Violet Passion, Gentle Bright and Chosen Global) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than relating to the Group, YFHL, Jade Passion, Harbour Yields, Violet Passion, Gentle Bright and Chosen Global) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL, OPTIONS, WARRANTS AND CONVERTIBLE SECURITIES

(a) Shares

As at the Latest Practicable Date, there are 456,816,394 issued and fully-paid up ordinary Shares. All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting. Since 31 December 2014 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, except for the issue of 157,381 Shares and 1,007,792 Shares on 13 May 2015 and 8 June 2015, respectively, pursuant to the exercise of share options granted under the Share Option Scheme adopted on 21 July 2011, no new Shares had been issued by the Company.

(b) Options, warrants and convertible securities

As at the Latest Practicable Date, the Company had no outstanding options, warrants or conversion rights affecting the Shares, except pursuant to a Share Option Scheme and Share Award Scheme.

3. DISCLOSURE OF INTERESTS

(a) Interests in the Company

(i) *Directors' interests and short positions in Shares, underlying Shares and debentures of the Company*

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, section 341 of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company were as follows:

As at the Latest Practicable Date, Mr. Ko and Mr. Brett McGonegal held the following interests in the Shares of the Company:

Director	Long Position	Percentage of shareholding
Mr. Ko	229,180,726	50.17%
Mr. Brett McGonegal	10,410,914	2.28%

Save as disclosed in this paragraph, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest which any such Director was taken or deemed to have under section 344 of the SFO) or which were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was interested in any shareholdings in the Company and the Investors that fall to be disclosed under the Takeovers Code.

(ii) Directors' rights to acquire Shares

At no time during the Relevant Period were rights to acquire benefits by means of the acquisition of Shares in the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

(iii) Substantial Shareholders' interests and short positions in Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, Shareholders (other than Directors or chief executives of the Company) who had, or were deemed or taken to have, an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group or held any option in respect of such capital:

Name of Shareholder	Nature of interests	Number of Shares held	
		Long position	Percentage of shareholding (Note 9)
Mr. Ko Chun Shun, Johnson (Note 1)	Held by controlled corporation	229,180,726	50.17%
Insula Holdings Limited (Note 1)	Held by controlled corporation	229,180,726	50.17%
Gainhigh Holdings Limited (Note 1)	Beneficial owner	229,180,726	50.17%
Shaw David Elliot (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw Valence Portfolios, L.L.C. (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw Composite Portfolios, L.L.C. (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw & Co., Inc (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw & Co., L.P. (Note 2)	Investment manager	31,584,000	6.91%
D. E. Shaw & Co., L.L.C (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw & Co. II, Inc (Note 2)	Held by controlled corporation	31,584,000	6.91%
D. E. Shaw & Co. (Asia Pacific) Limited (Note 2)	Investment manager	31,584,000	6.91%

Name of Shareholder	Nature of interests	Number of Shares held	
		Long position	Percentage of shareholding (Note 9)
Mr. Ma Yun (Note 3, 4)	Held by controlled corporation	1,342,976,000	294.00%
Mr. Yu Feng (Note 3, 4)	Held by controlled corporation	1,342,976,000	294.00%
Yunfeng Financial Holdings Limited (Note 3, 4)	Held by controlled corporation	1,342,976,000	294.00%
Key Imagination Limited (Note 3, 4)	Held by controlled corporation	1,342,976,000	294.00%
Jade Passion Limited (Note 3, 4)	Beneficial owner	1,342,976,000	294.00%
Ms. Lian Yi (Note 3, 5)	Held by controlled corporation	167,872,000	36.75%
Clear Expert Limited (Note 3, 5)	Held by controlled corporation	167,872,000	36.75%
Violet Passion Holdings Limited (Note 3, 5)	Beneficial owner	167,872,000	36.75%
Ms. Lu Yongqing (Note 3, 6)	Held by controlled corporation	167,872,000	36.75%
Gentle Bright Development Limited (Note 3, 6)	Beneficial owner	167,872,000	36.75%
Ms. Sun Dan (Note 3, 7)	Held by controlled corporation	155,882,000	34.12%
Alpha Estate Holdings Limited (Note 3, 7)	Held by controlled corporation	155,882,000	34.12%
Harbour Yields Limited (Note 3, 7)	Beneficial owner	155,882,000	34.12%
Ms. Fan Yufang (Note 3, 8)	Held by controlled corporation	107,918,000	23.62%
Mr. Zhang Fengwu (Note 3, 8)	Held by controlled corporation	107,918,000	23.62%
Eagle Mission Investments Limited (Note 3, 8)	Held by controlled corporation	107,918,000	23.62%
Chosen Global Holdings Limited (Note 3, 8)	Beneficial owner	107,918,000	23.62%

Notes:

1. Mr. Ko Chun Shun, Johnson, the Chairman and an executive Director of the Company, was interested in 229,180,726 shares through Gainhigh Holdings Limited (“Gainhigh”). 100% of the issued share capital of Gainhigh was held by Insula Holdings Limited, a company wholly-owned by Mr. Ko.
2. Shaw David Elliot, D. E. Shaw Valence Portfolios, L.L.C., D. E. Shaw Composite Portfolios, L.L.C., D. E. Shaw & Co., Inc, D. E. Shaw & Co., L.P., D. E. Shaw & Co., L.L.C., D. E. Shaw & Co. II, Inc, and D. E. Shaw & Co. (Asia Pacific) Limited were interested in the same parcel of these 31,584,000 shares by virtue of the SFO.
3. On 7 May 2015, the Company and Jade Passion Limited, Violet Passion Holdings Limited, Gentle Bright Development Limited, Harbour Yields Limited and Chosen Global Holdings Limited (collectively, the “Investors”) entered into five separate Subscription Agreements pursuant to which each of the Investors has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 1,942,520,000 subscription shares (“Subscription Shares”) at an issue price of HK\$2.00 per Subscription Share to the Investors in an aggregate amount of HK\$3,885,040,000. The issue of the Subscription Shares will be subject to the successful application for the granting of the whitewash waiver by the Securities and Futures Commission, and a specific mandate to be approved by the independent shareholders at the company’s extraordinary general meeting by ordinary resolution. The details of the subscription are disclosed in the announcement of the Company dated 29 May 2015.

4. Mr. Ma Yun and Mr. Yu Feng were interested in 1,342,976,000 shares through Jade Passion Limited, a company which is owned as to 73.21% of its issued share capital by Key Imagination Limited. 68% of the issued share capital of Key Imagination Limited is owned by Yunfeng Financial Holdings Limited, the issued share capital of which in turn, is owned as to 40% and 60%, respectively, by Mr. Ma Yun and Mr. Yu Feng.
5. Ms. Lian Yi was interested in 167,872,000 shares through Violet Passion Holdings Limited, a wholly-owned subsidiary of Clear Expert Limited, which in turn is a company wholly-owned by Ms. Lian Yi.
6. Ms. Lu Yongqing was interested in 167,872,000 shares through wholly-owned company, Gentle Bright Development Limited.
7. Ms. Sun Dan was interested in 155,882,000 shares through Harbour Yields Limited, a wholly-owned subsidiary of Alpha Estate Holdings Limited, which in turn is a company wholly-owned by Ms. Sun Dan.
8. Ms. Fan Yufang and Mr. Zhang Fengwu were both interested in 107,918,000 shares through Chosen Global Holdings Limited, a wholly-owned subsidiary of Eagle Mission Investments Limited, which in turn is a company jointly-owned by Ms. Fan Yufang and Mr. Zhang Fengwu.
9. The percentage of shareholding is calculated in reference to the Company's number of shares in issue as at the Latest Practicable Date.

Save as disclosed in this paragraph, as at the Latest Practicable Date, there was no person known to the Directors or the chief executive of the Company other than Directors or the chief executive of the Company, who had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(iv) The Investors, their ultimate beneficial owners and parties acting in concert with any of them

Save for the entering into of the Subscription Agreements, none of the Investors, their ultimate beneficial owners and parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the Relevant Period. As at the Latest Practicable Date, the Investors, their ultimate beneficial owners and parties acting in concert with any of them do not hold any Shares or other securities of the Company.

(v) Others

During the Relevant Period,

- i. none of the subsidiaries of the Company, nor any pension funds of the Company or of any of its subsidiaries, nor the Independent Financial Advisor nor any other advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company;
- ii. save for the Subscription Agreements, and the lock-up undertakings disclosed in the section headed “YFHL’s Lock-up Undertakings” and “Mr. Ko’s Deed of Undertaking”, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or any person who is an associate of the Company by virtue of clauses (1), (2), (3) and (4) of the definition of associate under the Takeovers Code, and with the Investors, their ultimate beneficial owners or any party acting in concert with any of them; and
- iii. no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

(b) Dealings in securities**(i) Directors**

None of the Directors or parties acting in concert with any of them had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period. Mr. Brett McGonegal is required to abstain from voting in respect of the resolution concerning the YFHL Subscription, the Other Investors’ Subscriptions and Whitewash Waiver as he was involved in the negotiation of the transaction.

(ii) Others

During the Relevant Period, none of the subsidiaries of the Company, nor any pension fund of the Company or any of its subsidiaries, nor the Independent Financial Advisor nor any other advisers to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company.

During the Relevant Period, no fund managers who managed funds on a discretionary basis connected with the Company had dealt for value in any Shares, convertible securities, warrants, options and derivatives of the Company.

During the Relevant Period, none of the Company or the Directors has borrowed or lent any Shares.

(c) Interests and dealings in the Investors

None of the Directors or the Company had any interest in the shares, convertible securities, options, warrants or derivatives of the Investors and none of them had dealt for value in any shares, convertible securities, options, warrants or derivatives of the Investors during the Relevant Period.

4. ADDITIONAL DISCLOSURE UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date:

- (a) no Subscription Shares acquired by the Investors in pursuance of the Subscriptions will be transferred, charged or pledged to any other persons;
- (b) no agreement, arrangement or understanding (including any compensation arrangement) existed between (i) the Investors or parties acting in concert with the Investors and (ii) any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Subscriptions and/or the Whitewash Waiver;
- (c) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Subscriptions and/or the Whitewash Waiver;

- (d) save for the Deed of Undertaking, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of the Subscriptions and/or the Whitewash Waiver or otherwise connected with the Subscriptions and/or the Whitewash Waiver;
- (e) save for the Deed of Undertaking, there was no material contract entered into by any of the Investors in which any Director had a material personal interest;
- (f) the directors of the Investors were not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or had not dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (g) no person had irrevocably committed themselves to vote for or against the resolutions to be proposed at the EGM to approve the Subscriptions and/or the Whitewash Waiver;
- (h) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company had been borrowed or lent by any of the Company and the Directors;
- (i) the Company did not have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investors and had no dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investors during the Relevant Period;
- (j) none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investors and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Investors during the Relevant Period;
- (k) save as disclosed in the section headed “Disclosure of Interests” in this appendix and the section headed “Effects on shareholding structure” in the letter from the Board of this circular, none of the Directors had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (l) Mr. Ko, an executive Director and Chairman, was involved in negotiating the Subscriptions. Gainhigh Holdings Limited (which is wholly-owned by Insula Holdings Limited, a company wholly-owned by Mr. Ko) will abstain from voting on all resolutions at the EGM.

5. MATERIAL CONTRACT

Other than the Subscription Agreements and as disclosed in the paragraph titled “Fund Raising Activity in the Past 12 Months” under the section “Letter from the Board” in this circular, as of the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group after the date two years immediately preceding the date of the Company announcement dated 24 March 2015 and up to the Latest Practicable Date and are or may be material:

- (a) as per Company announcement dated 21 August 2014, a subscription agreement dated 29 May 2014 entered into by Reorient Global Limited (“Reorient Global”), a wholly-owned subsidiary of the Company, KuangChi Science Ltd. (“KuangChi”) (formerly Climax International Company Limited) and others in relation to the subscription for shares in KuangChi. The subscription entitled Reorient Global to become the holder of 3% of the enlarged share capital of KuangChi immediately following completion of the transaction (assuming no change in the issued share capital of KuangChi from the date of the subscription agreement to completion of the transaction, and assuming full conversion of all outstanding preferred shares issued by KuangChi);
- (b) as per Company announcement dated 19 December 2014, a financial advisory service agreement (“FSA Agreement”) entered into by Reorient Financial Markets Limited (“RFML”), a wholly-owned subsidiary of the Company, and China Jiu hao Health Industry Corporation Limited (“China Jiu hao”) for the provision of financial advisory services to China Jiu hao, and as per Company announcement dated 8 June 2015, an addendum to the FAS Agreement pursuant to which China Jiu hao and RFML agreed to amend the payment terms of the consideration under the FAS Agreement of HKD49,500,000 to be payable to RFML in the form of cash instead of shares in China Jiu hao;
- (c) as per Company announcement dated 24 November 2013, a share swap agreement dated 23 November 2013 entered into by the Company and Frontier Services Group Ltd. (formerly DVN (Holdings) Ltd) (“FSG”) , for the subscription for shares by the Company in FSG and for the subscription for shares by FSG in the Company. The transaction entitled Company to become the holder of 5% of the enlarged share capital of FSG immediately following completion of the transaction (assuming no change in the issued share capital of FSG from the date of the subscription agreement to completion of the transaction), and entitled FSG to become the subscription agreement to completion of the transaction, and entitled FSG to become the holder of 4.1% of the enlarged share capital of the Company immediately following completion of the transaction (assuming no change in the issued share capital of the Company from the date of the subscription agreement to completion of the transaction);

- (d) as per Company announcement dated 6 June 2013, a placing agreement dated 6 June 2013 entered into by RFML and Gainhigh Holdings Limited (“Gainhigh”), and a subscription agreement entered into by the Company and Gainhigh, for the placing of shares held by Gainhigh in the Company, and for subscription for shares in the Company by Gainhigh respectively. Under the terms of the placing agreement, RFML, on the best endeavours basis, agreed to place up to 17,021,277 shares in the Company held by Gainhigh at the price of HKD2.35 per share, and, under the terms of the subscription agreement, Gainhigh agreed to subscribe for new shares in the Company in an amount equal to the shares placed by RFML at the price of HKD2.35 per share. The subscription represented approximately 3.81% of the enlarged share capital of the Company;
- (e) a share sale and purchase agreement (“EQP SPA”) dated 15 July 2014 by Reorient Asset Management Limited (“RAML”), a wholly-owned subsidiary of the Company, and Ariel Partners Co., Ltd. (“Ariel”), for the sale of 15,600 common shares (“EQP Shares”) representing 6.97% of all the issued and outstanding common shares of EQ Partners Co., Ltd. (“EQP”) for a consideration of KRW1,061,970,000, and a share pledge agreement dated 18 July 2014, by Ariel, RAML and EQP, pursuant to which Ariel granted to RAML a first priority kun-pledge (kun-jilkwon in Korean) over all rights, title and interests in and to the EQP shares, as security for the obligations of Ariel under the EQP SPA;
- (f) a limited liability company agreement dated 21 February 2014 by Reorient Investments Limited (“RIL”), a wholly-owned subsidiary of the Company, Pelagic Advisors LLC (“Pelagic”) and ReOil Energy Partners, LLC (“REP”) in relation to the parties interests in ReOil, LLC (“ReOil”), and a unit purchase and contribution agreement dated 21 February 2014, by RIL, Pelagic and ReOil, pursuant to which RIL agreed to subscribe for and purchase various units in ReOil for a total consideration of USD900,000. Under the terms of the transaction documents, RIL was to become the holder of 300 series-A voting and participating units in ReOil, and the sole holder of 600 series-B non-voting and non-participating preferred redeemable units in ReOil, resulting in RIL becoming the holder of a 25% interest in the paid up capital of ReOil;
- (g) a subscription agreement dated 24 November 2014 by Reorient Global and China Star Cultural Media Group Limited (“China Star”), in relation to the subscription for ordinary and preferred shares in China Star for a total consideration of HKD22,076,877.80, as per an announcement by China Star dated 18 December 2014. The subscription entitled Reorient Global to become the holder of 3% of the enlarged share capital of China Star immediately following completion of the transaction (assuming no change in the issued share capital of China Star from the date of the subscription agreement to completion of the transaction, and assuming full conversion of all outstanding preferred shares issued by China Star);

- (h) a subscription agreement dated 17 February 2015 by First Bonus International Limited (“First Bonus”), a wholly owned subsidiary of the Company, EDS Wellness Holdings Limited (“EDS”) and others, in relation to the subscription for ordinary shares in EDS for a total consideration of HKD5,397,636, as per an announcement by EDS dated 15 April 2015. First Bonus is expected to be the holder of 3% of the enlarged share capital of EDS immediately following completion of the transaction (assuming no change in the issued share capital of EDS from the date of the subscription agreement to completion of the transaction, and assuming full conversion of all outstanding preferred shares issued by EDS);
- (i) a subscription agreement dated 14 April 2015 by Reorient Global and 21 Holdings Limited (“21 Holdings”), in relation to the subscription for shares in 21 Holdings for a total consideration of HKD15,702,664.80, as per an announcement by 21 Holdings dated 13 May 2015. Reorient Global is expected to be the holder of 1.70% of the enlarged share capital of 21 Holdings immediately following completion of the transaction (assuming no change in the issued share capital of 21 Holdings from the date of the subscription agreement to completion of the transaction); and
- (j) as disclosed by the Company in its announcement dated 26 June 2014, the Company issued and allotted 17,021,277 ordinary shares at HK\$2.35 per share via a placing conducted under the terms of, on the one hand, a placing agreement between Gainhigh Holdings Limited, the controlling shareholder of the Company at the time, and Reorient Capital Markets Limited, and, on the other hand, a subscription agreement between Gainhigh Holdings Limited and the Company raising net proceeds of approximately HK\$ 39.8 million.

6. COMPETING BUSINESSES OR INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE COMPANY

Save as disclosed in this circular, as at the Latest Practicable Date:

- (a) except for Mr. Brett McGonegal, none of the Directors had any existing or proposed service contract with any member of the Group entered into or amended within the 6 month period preceding the offer period, or which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation). In relation to Mr. Brett McGonegal, a service contract ("New BM Contract"), taking effect on 1 January 2015, was entered into by the Company and Mr. Brett McGonegal in January 2015, replacing and superseding a previous service contract between Mr. Brett McGonegal and Mansion House Financial Holdings Limited (a wholly-owned subsidiary of the Company) dated 30 May 2011 ("Previous BM Contract"). The material terms of the New BM Contract are summarized below:
- a. Term: Initial term of 24 months, then continuous. The New BM Contract may be terminated by the Company or Mr. Brett McGonegal at any time by giving 6 months' written notice to the other or by making a payment in lieu of such notice. The Previous BM Contract was a continuous contract;
 - b. Basic fee: USD765,000 per annum (replacing the remuneration under the Previous BM Contract of HK\$3,200,000 per annum); and
 - c. Bonus or variable remuneration: Discretionary bonus, based on performance of Mr. Brett McGonegal.
- (b) none of the Directors had any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up (being 31 December 2014), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

8. NO MATERIAL ADVERSE CHANGE

The Group recorded an unaudited interim consolidated net loss for the six months ended 30 June 2015 of approximately HK\$55.5 million, a turnaround from profit to loss from the net profit of the Group of approximately HK\$759 million for the year ended 31 December 2014. The Group holds investments in listed securities as financial assets designated at fair value through profit or loss. Mainly owed to the decrease in the share price of KuangChi Science Limited from HK\$5.26 per share (as at 31 December 2014) to HK\$3.06 per share (as at 30 June 2015) and then to HK\$1.89 per share (as at the Latest Practicable Date), the valuation of the financial assets of the Company decreased by approximately HK\$192 million and HK\$507 million respectively.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited consolidated financial statements of the Group were made up, being 31 December 2014.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, the Group has received communications from an independent third party, Ms Catherine Shiang (“Shiang”) of Asia Capital Advisor, Ltd., to the effect that Shiang believes she is owed unpaid fees or other remuneration, of an unspecified amount, for unspecified services provided to the Group (“Claim”). Shiang has communicated to the Group that legal proceedings may be brought against the Group in connection with the Claim. However, the Group has been provided with no particulars, documentary support or credible basis for the Claim. Consequently, the Group is not able to reasonably identify any reasonable basis for the Claim, or, the quantum for the Claim, assuming it succeeds. On the basis of the lack of documentary support or credit basis for the Claim or any agreement, arrangement or understanding that may form the basis for any other claims, Group considers the Claim to be frivolous and without merit, and will vigorously resist and defend against the Claim, and will take all actions and steps it considers necessary to defend and protect the interests of the Group.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claim which would materially and adversely affect the operations of the Company is known to the Directors to be pending or threatened by or against any member of the Group.

10. MARKET PRICES OF SHARES

The closing prices of the Shares quoted on the Stock Exchange (i) at the end of each of the calendar months during the period commencing the six months immediately preceding 29 May 2015, being the date of the Announcement and ending on the Latest Practicable Date, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date were as follows:

Date	Closing Price of the Share (HK\$)
31 December 2014	3.94
30 January 2015	4.07
27 February 2015	3.87
31 March 2015	5.34
30 April 2015 (<i>note</i>)	9.00
29 May 2015 (<i>note</i>)	9.00
30 June 2015	17.22
30 July 2015	13.80
Latest Practicable Date	11.28

Note: Trading in the Shares has been halted with effect from 9:00 am on 21 April 2015 with a closing Share price of HK\$9.00 per Share prior to the halt. Trading in the Shares resumed on 1 June 2015.

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$22.65 on 1 June 2015 and HK\$3.70 on both dates, 2 December 2014 and 6 March 2015.

11. EXPERT AND CONSENT

- (a) The following is the qualification of the expert who has given opinion or advice which is contained or referred to in this circular:

Name	Qualifications
Somerley Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Somerley Capital Limited did not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

- (c) As at the Latest Practicable Date, Somerley Capital Limited did not have any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up (being 31 December 2014), acquired or disposed of by, or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) Somerley Capital Limited has given and has not withdrawn its written consent to inclusion of its letter dated 18 August 2015 in this circular and the references to its name included herein in the form and context in which it appears.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours at the principal place of business of the Company in Hong Kong at 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on weekdays (Saturdays and public holidays excepted), (ii) on the website of the Company at <http://www.reorientgroup.com/>, and (iii) on the website of the SFC at www.sfc.hk up to and including 2 September 2015 being the date of the EGM:

- (a) the Subscription Agreements;
- (b) the articles of association of the Company;
- (c) the annual reports of the Company for the last two financial years ended 31 December 2014 and 2013;
- (d) the material contracts referred to in the section headed “Material Contract” in this appendix;
- (e) the letter from the Board, the text of which is set out on pages 9 to 29 of this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 30 to 31 of this circular;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 78 of this circular;

- (h) the letter of consent from the Independent Financial Adviser referred to in the above paragraph headed “Expert and Consent” in this Appendix; and
- (i) the interim results of the Company for the six months ended 30 June 2015.

13. MISCELLANEOUS

- (a) The principal activity of the Group is investment holding. The principal activities of the Subsidiaries of the Group are securities broking, placing and underwriting, provision of consultancy and advisory services and investment holding.
- (b) The company secretary of the Company is Mr. Jim Pak Keung, Patrick.
- (c) The registered office of the Company is at 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.
- (d) The principal share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

NOTICE OF EGM



REORIENT GROUP LIMITED

瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Reorient Group Limited (the “**Company**”) will be held at 11/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Wednesday, 2 September 2015 at 10:30 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the issue and allotment of 1,942,520,000 Shares (constituting approximately 81.00% of the share capital of the Company as of the date of the Subscription Agreements (as defined below), as enlarged by the issue of such Shares) (the “Subscription Shares”) by the Company to Yunfeng Financial Holdings Limited (“YFHL”), Violet Passion Holdings Limited (“Violet Passion”), Harbour Yields Limited (“Harbour Yields”), Gentle Bright Development Limited (“Gentle Bright”), and Chosen Global Holdings Limited (“Chosen Global”) (YFHL, Violet Passion, Harbour Yields, Gentle Bright and Chosen Global collectively referred to as the “Investors”) in accordance with the summary table set out below, subject to, and in accordance with, the terms and conditions of the conditional subscription agreement entered into by the Company with YFHL in respect of the YFHL Subscription dated 7 May 2015, and the four conditional subscription agreements entered into by the Company with each of Harbour Yields, Violet Passion, Gentle Bright and Chosen Global in respect of the

NOTICE OF EGM

Other Investors' Subscriptions dated 7 May 2015 (collectively the "Subscription Agreements") details of which are set out in the circular of the Company dated 18 August 2015 (the "Subscriptions") be and are hereby approved:

Name of Subscribers	Number of Subscription Shares	Shareholding as a % to the enlarged share capital of the Company at Closing assuming that: (a) Closing under the Subscription Agreements have duly taken place; and (b) there will be no other change to the share capital of the Company from the date of the Announcement to Closing	Shareholding as a % to the existing share capital of the Company at the Latest Practicable Date assuming that there is no change to the share capital of the Company from the Latest Practicable Date to Closing other than the issue of the Subscription Shares
YFHL through its indirectly controlled subsidiary, Jade Passion Limited	1,342,976,000 ("YFHL Subscription Shares")	55.97%	294.00%
Harbour Yields	155,882,000	6.50%	34.12%
Violet Passion	167,872,000	7.00%	36.75%
Gentle Bright	167,872,000	7.00%	36.75%
Chosen Global	107,918,000	4.50%	23.62%

- (b) subject to and conditional on the passing of ordinary resolution no. 1, the waiver (the "Whitewash Waiver") granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and any delegate of such Executive Director pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of the YFHL, Jade Passion Limited (collectively referred to as the "Concert Group") and their parties acting in concert with them to make a mandatory general offer to the shareholders of the Company for all issued Shares not already owned by the Concert Group or parties acting in concert with it under Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the allotment and issue of the YFHL Subscription Shares be and is hereby approved.

NOTICE OF EGM

- (c) the directors of the Company (the “Directors”) be and are hereby authorized to do all acts and execute all documents they consider necessary or expedient to give effect to the Subscriptions.”

Yours faithfully,
By Order of the Board
REORIENT GROUP LIMITED
Ko Chun Shun, Johnson
Chairman

Hong Kong, 18 August 2015

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company’s share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
5. All the resolutions are to be voted by way of poll.
6. The Board of the Company 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).