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REORIENT GROUP LIMITED

瑞東集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 376)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

The board of directors (the “Board”) of REORIENT GROUP LIMITED (the “Company”) announces the consolidated annual results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2013, together with the comparative figures for the corresponding period in 2012.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	3	77,516	46,796
Other operating income	4	1,451	1,186
Net gain on financial assets at fair value through profit or loss		8,000	—
Other net gain		—	1,117
		<u>86,967</u>	<u>49,099</u>
Staff costs	5(b)	(124,088)	(101,780)
Depreciation		(3,385)	(2,424)
Other operating expenses	5(c)	<u>(46,271)</u>	<u>(40,887)</u>
Loss from operations		(86,777)	(95,992)
Finance costs	5(a)	(754)	(315)
Share of results of an associate		<u>171</u>	<u>—</u>
Loss before taxation	5	(87,360)	(96,307)
Income tax	6	<u>—</u>	<u>—</u>
Loss for the year		<u>(87,360)</u>	<u>(96,307)</u>
Loss attributable to equity shareholders of the Company		(87,385)	(96,068)
Profit/(loss) attributable to non-controlling interests		<u>25</u>	<u>(239)</u>
Loss per share attributable to equity shareholders of the Company			
Basic and diluted (<i>HK cents</i>)	8	<u>(21.90)</u>	<u>(24.99)</u>

Details of dividends declared for the year are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year	(87,360)	(96,307)
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>316</u>	<u>213</u>
Total comprehensive income for the year	<u>(87,044)</u>	<u>(96,094)</u>
Total comprehensive income for the year attributable to:		
— equity shareholders of the Company	(87,219)	(95,953)
— non-controlling interests	<u>175</u>	<u>(141)</u>
	<u>(87,044)</u>	<u>(96,094)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Fixed assets		6,247	6,897
Intangible assets		550	—
Interest in an associate	10	33,076	—
Other non-current assets		805	735
Total non-current assets		<u>40,678</u>	<u>7,632</u>
Current assets			
Financial assets at fair value through profit or loss		13,629	—
Accounts receivable	11	69,727	198,514
Other receivables, deposits and prepayments		12,451	14,657
Bank balance — trust and segregated accounts		22,753	41,713
Cash and cash equivalents		111,086	149,271
Total current assets		<u>229,646</u>	<u>404,155</u>
Current liabilities			
Accounts payable	12	82,955	235,671
Accrued expenses and other payables		25,820	9,457
Amounts due to directors		480	504
Total current liabilities		<u>109,255</u>	<u>245,632</u>
Net current assets		<u>120,391</u>	<u>158,523</u>
NET ASSETS		<u>161,069</u>	<u>166,155</u>
EQUITY			
Share capital	13	4,115	3,845
Reserves		150,932	156,463
		155,047	160,308
Non-controlling interests		6,022	5,847
TOTAL EQUITY		<u>161,069</u>	<u>166,155</u>

NOTES TO THE FINANCIAL STATEMENTS

1. General information

REORIENT GROUP LIMITED is a limited liability company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is Suites 1101-03, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong. The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

2. Significant accounting policies

(a) *Statement of compliance*

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities 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 derivative financial instruments are stated at their fair value.

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

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

(c) *Changes in accounting policies*

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7, *Disclosures — Offsetting financial assets and financial liabilities*

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of other new or amended HKFRSs are discussed below:

Amendments to HKAS 1, Presentation of financial statements — Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12, Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. The adoption of the amendments does not have an impact on these financial statements.

Amendments to HKFRS 7, Disclosures — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

To the extent that the requirements are applicable to the Group, the Group has expanded its disclosures about the offsetting of financial assets and financial liabilities.

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Brokerage commission	43,321	34,179
Consultancy and advisory fee	19,446	12,484
Placing and underwriting commission	14,596	—
Interest income from clients	153	133
	<hr/> 77,516 <hr/>	<hr/> 46,796 <hr/>

4. Other operating income

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Handling and settlement fees	854	1,120
Other interest income	597	66
	<hr/> 1,451 <hr/>	<hr/> 1,186 <hr/>

5. Loss before taxation

Loss before taxation is arrived at after charging:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
(a) Finance costs		
— Interest expense on bank loans and overdrafts	49	34
— Others	705	281
	<u>754</u>	<u>315</u>
(b) Staff costs		
Directors' remuneration	21,623	20,936
Other staff costs		
— Commission paid	132	124
— Salaries, allowances and benefits in kind	102,083	80,125
— Contributions to Mandatory Provident Fund	250	595
	<u>124,088</u>	<u>101,780</u>
(c) Other operating expenses		
Auditors' remuneration	1,100	1,000
Legal and professional costs	7,790	7,490
Operating lease payments — property rentals	5,767	5,413
Information, data and communication expenses	12,627	10,822
Provision for impairment loss	40	289
Net exchange loss	568	901

6. Income tax

No provision for Hong Kong profits tax was made for both years as the Group either had no assessable profits arising in Hong Kong or the assessable profits were wholly absorbed by tax losses brought forward for the current and prior years.

7. Dividend

No dividend was paid or proposed for the year ended 31 December 2013 (2012: nil), nor has dividend been proposed since the end of the reporting period.

8. Loss per share

(a) *Basic loss per share*

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the year ended 31 December 2013 of HK\$87,385,000 (2012: HK\$96,068,000), and the weighted average number of shares in issue during the year ended 31 December 2013 of 399,067,129 (2012: 384,494,527).

(b) *Diluted loss per share*

There were no potential dilutive ordinary shares for the years ended 31 December 2013 and 2012, therefore basic loss per share equals diluted loss per share for both years.

9. 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*

	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
Net gain on financial assets at fair value through profit or loss	—	—	8,000	8,000
Allocated other income	854	—	—	854
Allocated staff costs	(73,548)	(9,301)	(21,458)	(104,307)
Allocated administrative costs	(27,623)	(3,211)	(6,006)	(36,840)
Allocated finance costs	(675)	(75)	—	(750)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment (loss)/profit	(57,518)	2,009	(18)	(55,527)
Unallocated other income				597
Share of results of an associate				171
Unallocated staff costs				(19,781)
Depreciation				(3,385)
Finance costs				(4)
Legal and professional expenses				(5,240)
Other central administrative costs				(4,191)
				<u> </u>
Loss for the year				<u>(87,360)</u>
				<u> </u>
	2012			
	Securities brokerage HK'000	Securities placing and underwriting HK\$'000	Consultancy and advisory services HK\$'000	Total HK\$'000
Revenue from external parties	34,179	—	12,484	46,663
Interest income from clients	133	—	—	133
Allocated staff costs	(71,218)	(2,055)	(11,428)	(84,701)
Allocated administrative costs	(26,351)	(795)	(4,884)	(32,030)
Allocated finance costs	(302)	(6)	—	(308)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Reportable segment loss	(63,559)	(2,856)	(3,828)	(70,243)
Other income				2,303
Unallocated staff costs				(17,079)
Depreciation				(1,655)
Finance costs				(7)
Legal and professional expenses				(5,454)
Other central administrative costs				(4,172)
				<u> </u>
Loss for the year				<u>(96,307)</u>
				<u> </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 associate are mainly located in the Republic of Korea.

(d) Information about major customers

		Revenue from major customers	
		2013 HK\$'000	2012 HK\$'000
	Operating Segment		
Customer A	Securities brokerage	N/A ¹	9,545

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

10. Interest in an associate

	2013 HK\$'000	2012 HK\$'000
Share of net assets	26,272	—
Goodwill	6,804	—
	33,076	—
Less: impairment loss	—	—
	33,076	—

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 2013, the management considers the value of this option to be minimal as the likelihood of exercising the put option is remote.

11. Accounts receivable

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accounts receivable arising from securities brokerage:		
— Cash clients	14,096	35,435
— Margin clients	26,122	26,124
— Clearing house, brokers and dealers	<u>54,734</u>	<u>161,831</u>
	94,952	223,390
Accounts receivable arising from consultancy and advisory services		
— Corporate clients	<u>1,381</u>	<u>1,692</u>
	96,333	225,082
<i>Less:</i> allowance for doubtful debts	<u>(26,606)</u>	<u>(26,568)</u>
	<u><u>69,727</u></u>	<u><u>198,514</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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current	----- 65,905	----- 196,676
Less than 1 month past due	1,974	1,728
1 to 3 months past due	809	110
More than 3 months past due	<u>1,039</u>	<u>—</u>
Amounts past due	----- 3,822	----- 1,838
	<u><u>69,727</u></u>	<u><u>198,514</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\$3,822,000 (2012: HK\$1,838,000) 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 which are past due but not impaired represent client trades on The Stock Exchange of Hong Kong Limited which are unsettled beyond the settlement date. No impairment loss was provided for these balances as the Group holds securities collateral for those balances with fair values in excess of the past due amounts. Collaterals held against such accounts receivable are publicly traded securities.

Accounts receivable from corporate clients 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, and normally settle the outstanding balances within one to two months from the date of invoice.

(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:

	2013	2012
	HK\$'000	HK\$'000
At 1 January	26,568	26,279
Impairment loss recognised	40	289
Amount recovered during the year	(2)	—
	<hr/>	<hr/>
At 31 December	26,606	26,568
	<hr/> <hr/>	<hr/> <hr/>

Included in the allowance for doubtful debts were individually impaired accounts receivable which have financial difficulties in making payments. Among the allowance for doubtful debts, approximately HK\$26,122,000 (2012: HK\$26,124,000) relates to individually impaired margin clients accounts receivable while HK\$484,000 (2012: HK\$444,000) relates to individually impaired accounts receivable arising from the business of dealing in securities.

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.

12. Accounts payable

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Accounts payable		
— Cash clients	82,946	215,193
— Brokers and dealers	9	20,478
	<u>82,955</u>	<u>235,671</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\$22,753,000 (2012: HK\$41,713,000).

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

13. Share capital

Authorised and issued share capital

	2013		2012	
	Number of shares	Nominal value <i>HK\$'000</i>	Number of shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each				
Authorised				
Balance brought forward and carried forward	<u>2,000,000,000</u>	<u>20,000</u>	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid				
Balance brought forward	384,494,527	3,845	384,494,527	3,845
Subscription of ordinary shares	<u>27,000,000</u>	<u>270</u>	<u>—</u>	<u>—</u>
Balance carried forward	<u>411,494,527</u>	<u>4,115</u>	<u>384,494,527</u>	<u>3,845</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.

14. Event after the reporting period

Subsequent to the end of the reporting period, the Company allotted and issued 17,805,178 new shares of the Company to DVN (Holdings) Limited (“DVN”) and in return DVN allotted and issued 56,976,571 new shares of DVN to the Company on 14 January 2014 pursuant to the share swap agreement dated 23 November 2013. Details of the share swap agreement have been disclosed in the Company’s announcement dated 23 November 2013. No adjustments have been made to these financial statements as a result of the share swap agreement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overall Performance

2013 was the second full year of trading and operations after the resumption of trading of the Company’s shares on The Stock Exchange of Hong Kong Limited. The 2013 results reflect the Group’s transition from the building phase to the execution stage of our business plan. A strong fourth quarter from our Institutional Sales and Trading business, Investment Banking and Corporate Finance showed the momentum going into 2014.

The Group’s consolidated revenue for the year was HK\$77.5 million, representing a 66% increase from HK\$46.8 million recorded in 2012. The consolidated net loss for the year also improved versus 2012. We ended 2013 with a loss of HK\$87.4 million versus a loss of HK\$96.3 million recorded in 2012.

The Group’s increase in revenue was offset by additional staff costs and operating expenses resulting from the last stages of the initial build. We continued to invest in the recruitment of high calibre professionals, who are critical to the execution of our business model and overall strategy. In 2013, we continued to build our key verticals and have added four highly qualified and widely recognized employees. Overall headcount remained static with 65 employees as at 31 December 2013.

Brokerage Business

For the year ended 31 December 2013 (the “Year”), the total value of the transactions in relation to securities brokerage by the Group amounted to approximately HK\$25 billion. The Group’s commission income generated from securities brokerage amounted to approximately HK\$43.3 million, representing 56% of the Group’s revenue for the year (2012: 73%), and an increase of 27% over the level of commission income of HK\$34.2 million reported last year.

Financial Consultancy and Advisory Business

Our financial advisory business finished 2013 with a strong quarter, as income generated from consultancy and advisory services was HK\$19.4 million, representing 25% of the Group's revenue for the year ended 31 December 2013, an increase of 56% as compared to the HK\$12.5 million recorded in 2012.

Placing and Underwriting Business

During the Year, the Group completed three placing and underwriting transactions. The Group will continue to participate in placing and underwriting exercises. For the year ended 31 December 2013, the total value of transactions in relations to placing and underwriting by the Group amounted to approximately HK\$959 million. The Group's income generated from placing and underwriting amounted to approximately HK\$14.6 million, representing 19% of the Group's revenue for the year ended 31 December 2013.

Looking Forward

Going into 2014, the Investment Banking and Corporate Finance deal backlog continues to grow in size and quality. To maintain this growth, we are focused on deals which offer the potential for recurring revenue streams. Our Institutional Sales and Trading department is poised to monetize the platform in Hong Kong and the planned expansion to the US.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total shareholders' equity amounted to approximately HK\$161 million as at 31 December 2013 as compared to the total shareholders' equity of HK\$166 million reported at the end of last year. The change was attributable to the loss reported for the year ended 31 December 2013 offset primarily by equity issue HK\$82 million.

As at 31 December 2013, the Group had cash and cash equivalents of approximately HK\$111 million (31 December 2012: HK\$149 million). As at the end of the reporting date, the current ratio was measured at 2.1 times (31 December 2012: 1.6 times). The Group had no bank and other borrowing at the end of the reporting period (31 December 2012: nil).

During the Year, the Group did not engage in the use of other financial instruments for hedging purposes, and there were no hedging instruments outstanding as at 31 December 2013.

FOREIGN EXCHANGE RISK

The Group has assets and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange amounts in the different currencies. The Group considers that its exposure to US dollar ("USD") is insignificant, on the grounds that the Hong Kong dollar is pegged to the USD. The Group is exposed to currency risk arising from various currency

exposures, mainly to the extent of its interest in an associate and bank balances in currencies other than the USD, such as the Korean Won, Japanese Yen and the Renminbi. The management of the Group monitors the foreign exchange exposure and will hedge significant foreign currency exposure should the need arise.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

On 15 February 2013, the Company and the seller, Dongah Tire and Rubber Co. Ltd., entered into a share purchase agreement pursuant to which the Company agreed to purchase 25% equity interest in EQ Partners Co. Ltd., subject to the terms and conditions set out therein, for a consideration of KRW4,541,872,500, (approximately HK\$32.9 million). Details of the acquisition were disclosed in the announcement of the Company dated 18 February 2013.

Save as disclosed above, the Group did not have any other material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2013.

CHARGES ON ASSETS

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

CONTINGENT LIABILITIES

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

STAFFING AND REMUNERATIONS

As at 31 December 2013, the Group employed 65 full time employees, 59 of which were located in Hong Kong and 6 in the People's Republic of China. The remuneration of employees includes salary and discretionary bonus. The Group also adopted a share option scheme to provide an incentive to the employees.

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

SCOPE OF WORK OF AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2013 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

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

During the year ended 31 December 2013, other than acting as an agent for clients of the Group, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2013, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the provisions of the relevant Corporate Governance Code (the "CG Code"), as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding director's securities transactions with terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). Upon enquiry by the Company, all the directors have confirmed that they have complied with the required standards as stated in the Model Code throughout the year ended 31 December 2013.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, Mr. Liu Zhengui, Mr. Ding Kebai, and Mr. Chu Chung Yue, Howard. Mr. Chu Chung Yue, Howard is the chairman of the audit committee. The audit committee has adopted the terms of reference which are in line with the CG Code. The Group's consolidated financial statements for the year ended 31 December 2013 have been reviewed by the audit committee.

APPRECIATION

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

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

Hong Kong, 20 February 2014

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